UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-36429

ARES MANAGEMENT, L.P.

(Exact name of registrant as specified in its charter)

Delaware	**80-0962035**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2000 Avenue of the Stars, 12th Floor, Los Angeles, CA 90067

(Address of principal executive offices) (Zip Code)

(310) 201-4100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common units representing limited partner interests	New York Stock Exchange
Preferred units	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section §232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common units held by non-affiliates of the registrant on June 30, 2016, based on the closing price on that date of $14.09 on the New York Stock Exchange, was approximately $652,029,249. As of February 21, 2017 , there were 81,117,885 of the registrant's common units representing limited partner interests outstanding.

TABLE OF CONTENTS

Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of those words or other comparable words. The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. Some of these factors are described in this report under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors.” These factors should not be construed as exhaustive and should be read in conjunction with the risk factors and other cautionary statements that are included in this report and in our other periodic filings. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these forward-looking statements. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Therefore, you should not place undue reliance on these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. We do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Prior to the reorganization on May 1, 2014 in connection with our initial public offering (the “Reorganization”), our business was conducted through operating subsidiaries held directly or indirectly by Ares Holdings LLC and Ares Investments LLC (or “AI”). These two entities were principally owned by Ares Partners Management Company LLC (“APMC”), the Abu Dhabi Investment Authority and its affiliate (collectively, “ADIA”) and an affiliate of Alleghany Corporation (NYSE: Y) (such affiliate, “Alleghany”). ADIA and Alleghany each own minority interests with limited voting rights in our business. Ares Management, L.P. was formed on November 15, 2013 to serve as a holding partnership for our businesses. Prior to the consummation of our initial public offering, Ares Management, L.P. had not commenced operations and had nominal assets and liabilities. Unless the context suggests otherwise, references in this report to (1) “Ares,” “we,” “us” and “our” refer to our businesses, both before and after the consummation of our reorganization into a holding partnership structure and (2) our “Predecessors” refer to Ares Holdings Inc. (“AHI”) and AI, our accounting predecessors, as well as their wholly owned subsidiaries and managed funds, in each case prior to the Reorganization. References in this report to “our general partner” refer to Ares Management GP LLC, an entity wholly owned by Ares Partners Holdco LLC, which is in turn owned and controlled by Holdco Members. References in this report to the “Ares Operating Group” refer to, collectively, Ares Holdings L.P. (“Ares Holdings”), Ares Offshore Holdings L.P. (“Ares Offshore”) and Ares Investments L.P. (“Ares Investments”). References in this report to an “Ares Operating Group Unit” or an “AOG Unit” refer to, collectively, a partnership unit in each of the Ares Operating Group entities.

Under generally accepted accounting principles in the United States (“GAAP”), we are required to consolidate (a) entities other than limited partnerships and entities similar to limited partnerships in which we hold a majority voting interest or have majority ownership and control over the operational, financial and investing decisions of that entity, including Ares-affiliates and affiliated funds and co-investment entities, for which we are presumed to have controlling financial interests, and (b) entities that we concluded are variable interest entities (“VIEs”), including limited partnerships and collateralized loan obligations, for which we are deemed to be the primary beneficiary. When an entity is consolidated, we reflect the assets, liabilities, revenues, expenses and cash flows of the entity in our consolidated financial statements on a gross basis, subject to eliminations from consolidation, including the elimination of the management fees, performance fees and other fees that we earn from the entity. However, the presentation of performance fee compensation and other expenses associated with generating such revenues is not affected by the consolidation process. In addition, as a result of the consolidation process, the net income attributable to third-party investors in consolidated entities is presented as net income attributable to redeemable interests and non-controlling interests in Consolidated Funds in our Consolidated Statements of Operations.

In this report, in addition to presenting our results on a consolidated basis in accordance with GAAP, we present revenues, expenses and other results on a (i) “segment basis,” which deconsolidates these entities and therefore shows the results of our reportable segments without giving effect to the consolidation of the entities and (ii) “Stand Alone basis,” which shows the results of our reportable segments on a combined segment basis together with our Operations Management Group. In addition to our three segments, we have an Operations Management Group (the “OMG”) that consists of five independent, shared resource groups to support our reportable segments by providing infrastructure and administrative support in the areas of accounting/finance, operations/information technology, business development/corporate strategy, legal/compliance and human resources. The OMG’s expenses are not allocated to our three reportable segments but we consider the cost structure of the OMG when evaluating our financial performance. This information constitutes non-GAAP financial information within the meaning of Regulation G, as promulgated by the SEC. Our management uses this information to assess the performance of our reportable segments and our

OMG, and we believe that this information enhances the ability of unitholders to analyze our performance. For more information, see "Notes to the Consolidated Financial Statements - Note 18. Segment Reporting."

Glossary

When used in this report, unless the context otherwise requires:

- "ARCC Part I Fees" refers to a quarterly performance fee on the investment income from Ares Capital Corporation (NASDAQ: ARCC) ("ARCC");
- "Ares Operating Group Unit" or an "AOG Unit" refer to, collectively, a partnership unit in each of the Ares Operating Group entities;
- "assets under management" or "AUM" refers to the assets we manage. For our funds other than CLOs, our AUM represents the sum of the net asset value of such funds, the drawn and undrawn debt (at the fund-level including amounts subject to restrictions) and uncalled committed capital (including commitments to funds that have yet to commence their investment periods). For our funds that are CLOs, our AUM represents subordinated notes (equity) plus all drawn and undrawn debt tranches;
- "CLOs" refers to "our funds" which are structured as collateralized loan obligations;
- "Consolidated Funds" refers collectively to certain Ares- affiliated funds, related co-investment entities and certain CLOs that are required under GAAP to be consolidated in our consolidated financial statements;
- "Co-Founders" refers to Michael Arougheti, David Kaplan, John Kissick, Antony Ressler and Bennett Rosenthal;
- "Credit Facility" refers to the revolving credit facility of the Ares Operating Group;
- "distributable earnings" or "DE", a non-GAAP measure, is an operating metric that assesses our performance without the effects of our consolidated funds and the impact of unrealized income and expenses, which generally fluctuate with fair value changes. Among other things, this metric also is used to assist in determining amounts potentially available for distribution. However, the declaration, payment, and determination of the amount of distributions to unitholders, if any, is at the sole discretion of our Board of Directors, which may change our distribution policy at any time. Distributable earnings is calculated as the sum of fee related earnings, realized performance fees, realized performance fee compensation, realized net investment and other income, and is reduced by expenses arising from transaction costs associated with acquisitions, placement fees and underwriting costs, expenses incurred in connection with corporate reorganization and depreciation. Distributable earnings differs from income before taxes computed in accordance with GAAP as it is typically presented before giving effect to unrealized performance fees, unrealized performance fee compensation, unrealized net investment income, amortization of intangibles, and equity compensation expense. DE is presented prior to the effect of income taxes and to distributions made to our preferred unitholders, unless otherwise noted;
- "economic net income" or "ENI", a non-GAAP measure, is an operating metric used by management to evaluate total operating performance, a decision tool for deployment of resources, and an assessment of the performance of our business segments. ENI differs from net income by excluding (a) income tax expense, (b) operating results of our Consolidated Funds, (c) depreciation and amortization expense, (d) the effects of changes arising from corporate actions, and (e) certain other items that we believe are not indicative of our total operating performance. Changes arising from corporate actions include equity-based compensation expenses, the amortization of intangible assets, transaction costs associated with mergers and acquisitions and capital transactions, placement fees and underwriting costs and expenses incurred in connection with corporate reorganization;
- "fee earning AUM" or "FEAUM" refers to the AUM on which we directly or indirectly earn management fees. Fee earning AUM is equal to the sum of all the individual fee bases of our funds that contribute directly or indirectly to our management fees;
- "fee paying AUM" or "FPAUM" refers to the AUM on which we directly earn management fees. Fee paying AUM is equal to the sum of all the individual fee bases of our funds that directly contribute to our management fees;

- “fee related earnings” or “FRE”, a non-GAAP measure, refers to a component of ENI that is used to assess core operating performance by determining whether recurring revenue, primarily consisting of management fees, is sufficient to cover operating expenses and to generate profits. FRE differs from income before taxes computed in accordance with GAAP as it adjusts for the items included in the calculation of ENI and excludes performance fees, performance fee compensation, investment income from our Consolidated Funds and non-consolidated funds and certain other items that we believe are not indicative of our core operating performance;

- “Holdco Members” refers to Messrs. Arougheti, Kaplan, Ressler, Rosenthal and R. Kipp deVeer;

- “Incentive generating AUM” or “IGAUM” refers to the AUM of our funds that are currently generating, on a realized or unrealized basis, performance fee revenue. It generally represents the NAV of our funds for which we are entitled to receive a performance fee, excluding capital committed by us and our professionals (which generally is not subject to a performance fee). With respect to ARCC, IGAUM only includes ARCC Part II Fees;

- “Incentive eligible AUM” or “IEAUM” refers to the AUM of our funds that are eligible to produce performance fee revenue, regardless of whether or not they are currently generating performance fees. It generally represents the NAV plus uncalled equity of our funds for which we are entitled to receive a performance fee, excluding capital committed by us and our professionals (which generally is not subject to a performance fee);

- “management fees” refers to fees we earn for advisory services provided to our funds, which are generally based on a defined percentage of fair value of assets, total commitments, invested capital, net asset value, net investment income, total assets or par value of the investment portfolios managed by us and also include ARCC Part I Fees that are classified as management fees as they are predictable and recurring in nature, not subject to contingent repayment and generally cash-settled each quarter;

- “net inflows of capital” refers to net new commitments during the period, including equity and debt commitments and gross inflows into our open-ended managed accounts and sub-advised accounts, as well as equity offerings by our publicly traded vehicles minus redemptions from our open-ended funds, managed accounts and sub-advised accounts.

- “net performance fees” refers to performance fees net of performance fee compensation, which is the portion of the performance fees earned from certain funds that is payable to professionals;

- “our funds” refers to the funds, alternative asset companies, co-investment vehicles and other entities and accounts that are managed or co-managed by the Ares Operating Group, and which are structured to pay fees. It also includes funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of ARCC, and a registered investment adviser;

- “permanent capital” refers to capital of our funds that do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law, which funds currently consist of Ares Capital Corporation (“ARCC”), Ares Commercial Real Estate Corporation (“ACRE”), and Ares Dynamic Credit Allocation Fund, Inc. (“ARDC”); such funds may be required, or elect, to return all or a portion of capital gains and investment income;

- “performance fees” refers to fees we earn based on the performance of a fund, which are generally based on certain specific hurdle rates as defined in the fund’s investment management or partnership agreements and may be either an incentive fee or carried interest;

- “performance related earnings” or “PRE”, a non-GAAP measure, is used to assess our investment performance net of performance fee compensation. PRE differs from income (loss) before taxes computed in accordance with GAAP as it only includes performance fees, performance fee compensation and total investment and other income that we earn from our Consolidated Funds and non-consolidated funds;

- “SEC” refers to the Securities and Exchange Commission;

- “Senior Notes” or the "AFC Notes" refers to senior notes of a wholly owned subsidiary of Ares Holding. The "AFC II Notes" were entered into and subsequently redeemed in 2015;

- “Term Loans” refers to term loan of a wholly owned subsidiary of AM LLC;

Many of the terms used in this report, including AUM, FEAUM, FPAUM, ENI, FRE, PRE and DE, may not be comparable to similarly titled measures used by other companies. In addition, our definitions of AUM, FEAUM and FPAUM are not based on any definition of AUM or FPAUM that is set forth in the agreements governing the investment funds that we manage and may differ from definitions of AUM set forth in other agreements to which we are a party. Further, ENI, FRE, PRE and DE are not measures of performance calculated in accordance with GAAP. We use ENI, FRE, PRE and DE as measures of operating performance, not as measures of liquidity. ENI, FRE, PRE and DE should not be considered in isolation or as substitutes for operating income, net income, operating cash flows, or other income or cash flow statement data prepared in accordance with GAAP. The use of ENI, FRE, PRE and DE without consideration of related GAAP measures is not adequate due to the adjustments described above. Our management compensates for these limitations by using ENI, FRE, PRE and DE as supplemental measures to our GAAP results. We present these measures to provide a more complete understanding of our performance as our management measures it. Amounts and percentages throughout this report may reflect rounding adjustments and consequently totals may not appear to sum.

PART I.

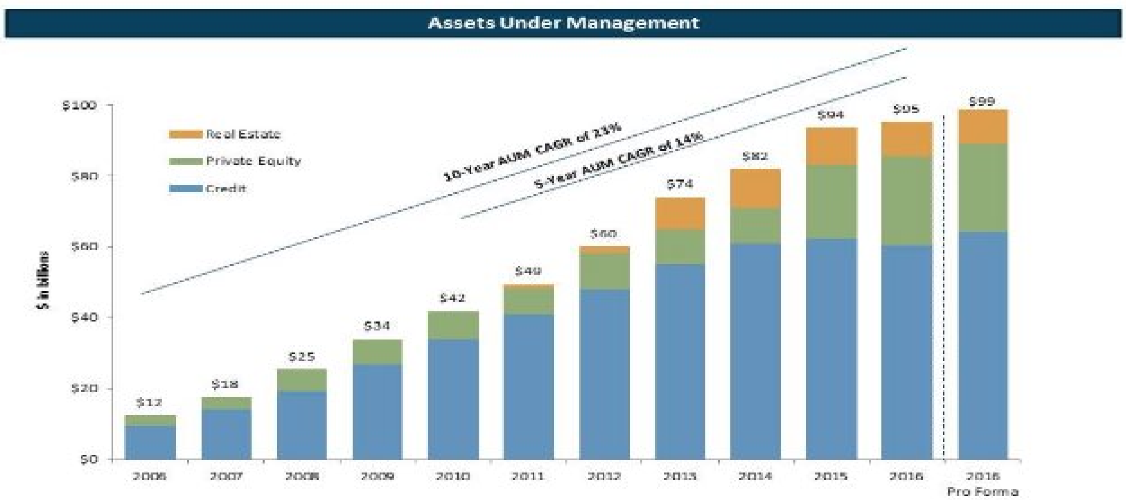
Item 1. Business

BUSINESS

Overview

Ares is a leading global alternative asset manager with approximately $95.3 billion of assets under management and approximately 925 employees in over 15 offices across the United States, Europe, Asia and Australia. We offer our investors a range of investment strategies and seek to deliver attractive performance to a growing investor base that includes approximately 695 direct institutional relationships and a significant retail investor base across our publicly traded and sub-advised funds. Since our inception in 1997, we have adhered to a disciplined investment philosophy that focuses on delivering strong risk-adjusted investment returns through market cycles. Ares believes each of its three distinct but complementary investment groups in Credit, Private Equity and Real Estate is a market leader based on assets under management and investment performance. We believe we have created value for our stakeholders not only through our investment performance but also by expanding our product offering, enhancing our distribution channels, increasing our global presence, investing in our non-investment functions, securing strategic partnerships and completing accretive acquisitions and portfolio purchases. In 2016, we announced the combination of the Tradable Credit and Direct Lending Groups to form the Credit Group and we moved the Special Situations strategy from the Credit Group to the Private Equity Group to reflect changes in how we manage our investment operations.

A s shown in the chart below, over the past five and ten years, our assets under management have achieved a compound annual growth rate ("CAGR") of 14% and 23%, respectively. Our AUM has grown to approximately $95.3 billion as of December 31, 2016, (approximately $98.9 billion pro forma for the acquisition of American Capital, Ltd. ("ACAS")) from approximately $12.0 billion a decade earlier.



We have an established track record of delivering strong risk-adjusted returns through market cycles. We believe our consistent and strong performance in a broad range of alternative assets has been shaped by several distinguishing features of our platform:

Robust Sourcing Model: our investment professionals' local market presence and ability to effectively cross-source for other investment groups generates a robust pipeline of high-quality investment opportunities across our platform.

- ***Comprehensive Multi-Asset Class Expertise and Flexible Capital:*** our proficiency at evaluating every level of the capital structure, from senior debt to common equity, across companies, structured assets, power and energy assets, and real estate projects enables us to effectively assess relative value. This proficiency is complemented by our flexibility in deploying capital in a range of structures and different market environments to maximize risk-adjusted returns.

- ***Differentiated Market Intelligence:*** our proprietary research on over 55 industries and insights from a broad, global investment portfolio enable us to more effectively diligence and structure our products and investments.

- ***Consistent Investment Approach:*** we believe our rigorous, credit-oriented investment approach across each of our investment groups is a key contributor to our strong investment performance and ability to expand our product offering.

- ***Talented and Committed Professionals:*** we attract, develop and retain highly accomplished investment professionals who not only demonstrate deep and broad investment expertise but also have a strong sense of commitment to our firm.

- ***Collaborative Culture:*** we share ideas, relationships and information across our investment groups, which enables us to more effectively source, evaluate and manage investments.

Integrated Investment Platform

We operate our increasingly diversified and global firm as an integrated investment platform with a collaborative culture that emphasizes sharing of knowledge and expertise. We believe the exchange of information enhances our ability to analyze investments, deploy capital and improve the performance of our funds and portfolio companies. Through collaboration, we drive value by leveraging our capital markets relationships and access to deal flow. The management of our operating businesses is currently overseen by our Management Committee, which is comprised of our executive officers and other heads of various investment and operating groups, and ultimately by the Holdco Members. The Management Committee meets bi-weekly to discuss asset deployment, strategy and fundraising. Within this framework, we have established deep and sophisticated independent research capabilities in over 55 industries and insights from active investments in over 1,200 companies, approximately 505 structured assets and over 160 properties. Further, our extensive network of investment professionals includes local and geographically positioned individuals with the knowledge, experience and relationships that enable them to identify and take advantage of a wide range of investment opportunities. These professionals are supported by a highly sophisticated operations management team. We believe this broad and deep platform and our operational infrastructure provide us with a scalable foundation to expand our product offerings, geographic scope and profitability.

Breadth, Depth and Tenure of our Senior Management

Ares was built upon the fundamental principle that each of our distinct but complementary investment groups benefits from being part of our broader platform. We believe that our strong performance, consistent growth and high talent retention through economic cycles is due largely to the effective application of this principle across our broad organization of approximately 925 employees. We do not have a centralized investment committee and instead our investment committees are structured with overlapping membership from different investment groups to ensure consistency of approach. Each of our investment groups is led by its own deep leadership team of highly accomplished investment professionals, who average over 24 years of experience managing investments in, advising, underwriting and restructuring companies. While primarily focused on managing strategies within their own investment group, these senior professionals are integrated within our platform through economic, cultural and structural measures. Our senior professionals have the opportunity to participate in the incentive programs of multiple investment groups to reward collaboration across our investment activities. This collaboration takes place on a daily basis but is formally promoted through sophisticated internal systems and widely attended weekly or monthly meetings.

2016 Highlights

Fundraising

In 2016, we raised $13.9 billion in gross new capital for more than 50 different funds. Of the $13.9 billion, $9.4 billion was raised directly from 127 institutional investors (77 existing and 50 new to Ares) and $4.5 billion was raised through intermediaries.

- In our Credit Group, we raised $10.6 billion of gross capital commitments across a variety of our credit strategies comprised of $3.0 billion in Syndicated Loans, including $2.3 billion from four CLOs that closed during the year, $1.7 billion in High Yield, $340.9 million in Credit Opportunities and $908.3 million in Structured Credit. In our Direct Lending strategy, we raised $4.2 billion of gross capital in our U.S. and E.U. Direct Lending funds and $600.0 million in aggregate new debt commitments for ARCC, our publicly traded business development company, and its affiliated funds and vehicles.

- In our Private Equity Group, we raised $2.2 billion of gross new capital commitments for our fifth corporate private equity fund, Ares Corporate Opportunities Fund V ("ACOF V"), and $130.0 million of gross new capital commitments for our fifth power and infrastructure fund.
- In our Real Esta te Group, we raised $369.5 million of gross new capital commitments for our second European value add real estate private equity fund, and $456.4 million in other U.S. and European real estate private equity accounts. Additionally, we raised $240.0 million in our real estate debt strategy.

Capital Deployment

W e took advantage of our diverse global platform to invest more than $10.2 billion (excluding permanent capital) globally in 2016 as shown in the following table (dollars in billions):

Strategy		Invested Amount
Syndicated loans	$	2.2
High yield bonds		1.2
Credit opportunities		0.2
Structured credit		0.6
U.S. direct lending		1.8
E.U. direct lending		2.2
Private equity		0.6
Real estate equity		1.2
Real estate debt		0.2
Total	**$**	**10.2**

Of the $10.2 billion invested, $6.7 billion was tied to our drawdown funds. Of the $6.7 billion, $3.8 billion was driven by investments in E.U. and U.S. direct lending, $817.7 million was driven by investments in various credit strategies, $570.6 million was driven by investments in corporate and U.S. power and infrastructure private equity and $1.4 billion was driven by investments in real estate debt and equity strategies.

Strategic Acquisition

We expanded the depth and breadth of our Credit Group through a strategic and complementary acquisition on January 3, 2017, when ARCC completed the acquisition of ACAS. Through this transaction, ARCC enhanced its leadership position in middle market direct lending in the U.S. ARCC continues to be the largest business development company in the U.S. with total AUM of $14.2 billion, pro forma for the acquisition of $3.6 billion in AUM from the ACAS as of December 31, 2016. To support the transaction, we, through our subsidiary Ares Capital Management LLC, which serves as the investment adviser to ARCC, provided approximately $275.0 million of cash consideration, or $1.20 per share of ACAS common stock to ACAS shareholders upon the closing of the ARCC-ACAS Transaction in accordance with the terms and conditions of the merger agreement. In addition, we agreed to waive up to $10 million per quarter of ARCC's Part I fees for ten calendar quarters, beginning in the second quarter of 2017. The proper tax treatment of the support payment made by us is unclear and subject to final determination. We believe the outcome could range from an immediate tax deduction of $275.0 million in 2017 or amortizing the amount over a prescribed life, typically 15 years. The outcome of such determination will materially affect our net taxable income and the amount of distributions to our common unitholders.

Investment Groups

Each of our investment groups employs a disciplined, credit-oriented investment philosophy and is managed by a seasoned leadership team of senior professionals with extensive experience investing in, advising, underwriting and restructuring companies, power and energy assets, or real estate properties.

ARES

	CREDIT	PRIVATE EQUITY	REAL ESTATE
	A leading participant in the non-investment grade corporate credit markets	*One of the most consistent private equity managers in the U.S. with a growing international presence*	*A leading participant in the real estate private equity markets and a growing direct lender*
Assets Under Management	$64.1 billion (1)	$25.0 billion	$9.8 billion
Key Strategies	Syndicated Loans High Yield Bonds Structured Credit Credit Opportunities Direct Lending	Corporate Private Equity U.S. Power & Energy Infrastructure Special Situations	Real Estate Debt Real Estate Private Equity
Investment Funds	133 active funds	23 active funds	42 active funds
Investment Personnel	~210 professionals	~85 professionals	~75 professionals
Local Market Presence	U.S. & Europe	U.S., Europe & China	U.S. & Europe
Current Portfolio	1,200+ companies	28 companies 75 power and energy assets	~160 properties

(1) Pro Forma includes $3.6 billion of AUM from the acquisition of ACAS.

Credit Group

Our Credit Group is a leading manager of credit strategies across the non-investment grade credit universe, with approximately $60.5 billion ($64.1 billion pro forma for the acquisition of ACAS) of AUM and approximately 133 funds as of December 31, 2016. The Credit Group provides solutions for fixed income investors seeking to access the syndicated loan and high yield bond markets and capitalizes on opportunities across traded corporate and structured credit. It additionally provides investors access to directly originated fixed and floating rate credit assets and the ability to capitalize on illiquidity premiums across the credit spectrum.

The Credit Group offers a range of credit strategies across the liquid and illiquid spectrum, including syndicated loans, high yield bonds, credit opportunities, structured credit investments and U.S. and European direct lending.

Syndicated Loans: Our syndicated loans strategy delivers a diversified portfolio of liquid, traded non-investment grade secured loans to corporate issuers. We focus on evaluating individual credit opportunities related primarily to non-investment grade senior secured loans and primarily target first lien secured debt, with a secondary focus on second lien loans, mezzanine loans, high yield bonds and unsecured loans.

High Yield Bonds: Our high yield bonds strategy employs a value-driven philosophy, utilizing fundamental research to identify non-investment grade corporate issuers. We primarily seek a diversified portfolio of liquid, traded non-investment grade corporate bonds. This incorporates secured, unsecured and subordinated debt instruments of issuers in both North America and Europe.

Credit Opportunities: Our credit opportunities strategy has an event-oriented credit mandate that seeks to generate attractive risk-adjusted returns across market cycles by capitalizing on market inefficiencies and relative value opportunities in the non-investment grade corporate credit market. We principally invest or take short positions in U.S. and European debt securities across the capital structure, including opportunistic liquid credit, special situations and structured products. Our “all weather” strategy seeks to dynamically manage duration, which is critical to realizing attractive performance during various interest rate environments.

Structured Credit: Our structured credit strategy invests across the capital structure of syndicated CLO vehicles and in directly-originated asset-backed investments comprised of diversified portfolios of consumer and commercial assets. We seek to construct portfolios of asset-backed investments that benefit from having downside protection, less correlation with the broader credit markets and diversification.

Direct Lending: Our direct lending strategy is one of the largest self-originating direct lenders to the U.S. and European markets, with approximately $30.7 billion of assets under management across approximately 54 funds or investment vehicles as of December 31, 2016. Our direct lending strategy has a multi-channel origination strategy designed to address a broad set of investment opportunities in the middle market. We focus on being the lead or sole lender to our portfolio companies, which we believe allows us to exert greater influence over deal terms, capital structure, documentation, fees and pricing, while at the same time securing our position as a preferred source of financing for our transaction partners. The group maintains a flexible investment strategy, with the capability to invest in revolving credit facilities, first and second lien senior loans, mezzanine debt and non-control equity co-investments in middle market companies, power generation projects and early stage and emerging growth companies backed by venture capital firms. We manage various types of funds within our U.S. and European direct lending teams that include commingled funds, separately managed accounts for large institutional investors seeking tailored investment solutions and joint venture lending programs.

U.S. Direct Lending: Our U.S. team is comprised of approximately 115 investment professionals in seven offices. Our team maintains an active dialogue with more than 450 financial sponsors and provides a wide range of financing solutions to middle-market companies that typically range from $10.0 to $100.0 million in earnings before interest, tax, depreciation and amortization ("EBITDA"). As of December 31, 2016, our U.S. direct lending team and its affiliates advised 35 funds totaling, in aggregate, approximately $21.1 billion in AUM. Our U.S. direct lending team manages corporate lending activities primarily through our inaugural vehicle and publicly traded business development company, ARCC.

Primary areas of focus for our U.S. Direct Lending teams include:

- *Ares Capital Corporation:* ARCC is a leading specialty finance company that provides one-stop debt and equity financing solutions to U.S. middle market companies, venture capital backed businesses and power generation projects. As of December 31, 2016, ARCC was the largest business development company by total assets. In January 2017, ARCC completed a previously announced acquisition of American Capital, Ltd. (the "ARCC-ACAS Transaction"). As a result of the acquisition, AUM increased $3.6 billion on a pro forma basis as of December 31, 2016.

- *Other U.S. funds:* Outside of ARCC and its controlled affiliates, the U.S. direct lending also generates fees from other funds, including Ares Commercial Finance, which makes asset-based and cash flow loans to middle-market companies, as well as asset-based loans and debt investments in specialty finance companies and separately managed accounts for large institutional investors. AUM for these other U.S. direct lending funds totaled $4.1 billion as of December 31, 2016 .

E.U. Direct Lending: Our European team is comprised of approximately 35 investment professionals in five offices. Our team covers approximately 155 financial sponsors and is one of the most significant participants in the European middle-market. We provide a wide range of financing opportunities to middle-market companies that typically range from €10.0 to €75.0 million in EBITDA. As of December 31, 2016, our E.U. direct lending team advised 19 commingled funds and managed accounts, aggregating approximately $9.6 billion in AUM .

The following table presents the Credit Group's AUM, FPAUM and number of funds as of December 31, 2016 (dollars in billions):

	AUM(1)	FPAUM	Number of Funds
Syndicated loans	$ 17.3	$ 16.0	40
High yield bonds	5.0	5.0	16
Credit opportunities	3.3	2.7	11
Structured credit	4.3	3.1	12
U.S. direct lending	24.6	11.3	35
E.U. direct lending	9.6	4.6	19
Credit Group	**$ 64.1**	**$ 42.7**	**133**

(1) Pro forma for ACAS acquisition of $3.6 billion in AUM.

Private Equity Group

Our Private Equity Group has achieved compelling investment returns for a loyal and growing group of high profile limited partners and as of December 31, 2016 had approximately $25.0 billion of AUM. Our Private Equity Group broadly categorizes its investment activities into three strategies: Corporate Private Equity, U.S. Power and Energy Infrastructure and Special Situations. Our private equity professionals have a demonstrated ability to deploy flexible capital, which allows them to stay both active and disciplined in various market environments. The group's activities are managed by three dedicated investment teams in North America, Europe and China. The group manages flagship funds focused primarily on North America and, to a lesser extent, Europe, special situations funds, U.S. power and energy infrastructure funds and related co-investment vehicles and growth funds in China.

- ***Corporate Private Equity:*** Certain of our senior private equity professionals have been working together since 1990 and raised our first corporate private equity fund in 2003. Our team has grown to approximately 55 investment professionals based in Los Angeles, London, Chicago and Shanghai. We pursue four principal transactions types: prudently leveraged control buyouts, growth equity, rescue/deleveraging capital and distressed buyouts/discounted debt accumulation. This flexible capital approach, together with the broad resources of the Ares platform, widens our universe of potential investment opportunities and allows us to remain active in different markets and be highly selective in making investments across various market environments.

- ***U.S. power & infrastructure:*** Our U.S. power and infrastructure strategy team of approximately 20 investment professionals targets assets across the U.S. power generation, transmission and midstream sectors, which seek attractive risk-adjusted equity returns with current cash flow and capital appreciation. We believe there are significant investment opportunities for us in this sector as the United States replaces its aging infrastructure and builds new assets to meet capacity needs over the coming decades.

- ***Special Situations:*** Our special situations strategy capitalizes on dislocated assets by flexibly deploying capital across multiple asset classes. We employ our deep credit expertise, proprietary research and robust sourcing model to capitalize on current market trends. This opportunistic approach allows us to invest across a broad spectrum of distressed or mispriced investments, including corporate debt, rescue capital, private asset-backed investments, post-reorganization securities and non-performing portfolios.

The following table presents the Private Equity Group's AUM, FPAUM and number of funds as of December 31, 2016 (dollars in billions):

	AUM	FPAUM	Number of Funds
Corporate private equity	$ 18.2	$ 6.5	7
U.S. power & infrastructure assets	5.1	4.2	11
Special situations	1.7	0.6	5
Private Equity Group funds	**$ 25.0**	**$ 11.3**	**23**

Real Estate Group

Our Real Estate Group manages comprehensive public and private equity and debt strategies, with approximately $9.8 billion of assets under management as of December 31, 2016. With our experienced team, along with our expansive network of relationships, our Real Estate Group capitalizes on opportunities across both real estate equity and debt investing. Our equity investments focus on implementing hands-on value creation initiatives to mismanaged and capital-starved assets, as well as new development, ultimately selling stabilized assets back into the market. Our debt strategies leverage the Real Estate Group's diverse sources of capital to directly originate and manage commercial mortgage investments on properties that range from stabilized to requiring hands-on value creation. The Real Estate Group has achieved significant scale in a short period of time through various acquisitions and successful fundraising efforts. Today, the group provides investors access to its capabilities through several vehicles: U.S. and European real estate private equity commingled funds, real estate equity and debt separately managed accounts and a publicly traded commercial mortgage REIT, ACRE. The group's activities are managed by dedicated equity and debt teams in the U.S. and Europe.

Real Estate Equity: Our real estate equity team, with approximately 55 investment professionals across six offices, has extensive private equity experience in the United States and Europe. Our team primarily invests in new developments and the repositioning of assets, with a focus on control or majority-control investments primarily in the United States and Western Europe. As of December 31, 2016, our Real Estate equity team advised 39 investment vehicles totaling, in aggregate, approximately $7.2 billion in AUM .

Primary areas of focus for our Real Estate Group equity teams include:

- ***Real Estate Equity Value-Add Strategy:*** Our U.S. and European value-add funds focus on undermanaged and under-funded assets, seeking to create value by buying assets at attractive valuations as well as through active asset management of income-producing properties, including multifamily, retail, office, hotel and industrial properties across the United States and Western Europe.

- ***Real Estate Equity Opportunistic Strategy:*** Our U.S. and European opportunistic real estate funds capitalize on increased investor demand for developed and stabilized assets by focusing on manufacturing core assets through development, redevelopment and fixing distressed capital structures across all major property types including multifamily, hotel, office, retail and industrial properties across the United States and Europe.

Real Estate Debt: Our real estate debt team of approximately 20 professionals directly originates and invests in a wide range of self-originated financing opportunities for middle-market owners and operators of U.S. commercial real estate. As of December 31, 2016, our real estate debt team advised three investment vehicles totaling, in the aggregate, approximately $2.5 billion in AUM. In addition to managing private funds, our real estate debt team makes investments through ACRE, primarily focused on directly originating, managing and servicing a diversified portfolio of commercial real estate debt-related investments.

The following table presents the Real Estate Group's AUM, FPAUM and number of funds as of December 31, 2016 per investment strategy (dollars in billions):

	AUM	FPAUM	Number of Funds
U.S. equity funds	$ 4.1	$ 2.9	20
E.U. equity funds	3.1	2.5	19
Debt funds	2.6	1.1	3
Real Estate Group	**$ 9.8**	**$ 6.5**	**42**

Product Offering

To meet investors' growing demand for alternative asset investments, we manage investments in an increasingly comprehensive range of funds across a spectrum of compelling and complementary strategies. We have demonstrated an ability to consistently generate attractive and differentiated investment returns across these investment strategies and through various market environments. We believe the breadth of our product offering, our expertise in various investment strategies and our proficiency in attracting and satisfying our growing institutional and retail client base has enabled and will continue to enable us to increase our assets under management across each of our investment groups in a balanced manner. Our fundraising efforts historically have been spread across investment strategies and have not been dependent on the success of any one strategy. We offer the following strategies for our investors :

Target Net Returns at December 2016(1)	
Credit	
Syndicated Loans(2)	Benchmark Outperformance
High Yield Bonds(2)	Benchmark Outperformance
Credit Opportunities	8 - 12%
Structured Credit	5 - 15%
U.S. Direct Lending	5 - 15%
E.U. Direct Lending	5 - 15%
Private Equity	
Corporate Private Equity	18 - 22%
U.S. Power and Infrastructure Assets	15 - 17%
Special Situations	15 - 20%
Real Estate	
Real Estate Debt	5 - 12%
Real Estate Equity	12 - 18%

(1) Target returns are shown for illustrative purposes only after the effect of any management and performance fees. No assurance can be made that targeted returns will be achieved and actual returns may differ materially. An investment in any of the mandates is subject to the execution of definitive subscription and investment documentation for the applicable funds.

(2) Our funds employing syndicated loan and high yield strategies are typically benchmarked against the Credit Suisse Leveraged Loan Index and the BofA Merrill Lynch US High Yield Master II Constrained Index, respectively. Certain of our funds are not benchmarked against any particular index due to fund-specific portfolio constraints.

Investor Base and Fundraising

Our diverse investor base includes direct institutional relationships and a significant number of retail investors. Our high-quality institutional investor base includes large pension funds, sovereign wealth funds, banks and insurance companies, and we have grown the number of these relationships from approximately 200 in 2011 to approximately 695 in 2016 . As of December 31, 2016, approximately 66% of our $95.3 billion in AUM was attributable to our direct institutional relationships.

As of December 31, 2016, our $95.3 billion of AUM was divided by channel, client type and geographic origin as follows (dollars in millions):

AUM by Client Type	December 31, 2016	
	AUM	%
Direct Institutional		
Pension	$ 26,749	28.1%
Sovereign Wealth Fund	9,871	10.4%
Insurance	9,249	9.7%
Bank/Private Bank	6,896	7.2%
Investment Manager	2,565	2.7%
Endowment	1,532	1.6%
Other	5,723	6.0%
Total Direct Institutional	**62,585**	**65.7%**
Public Entities and Related	**18,819**	**19.8%**
Institutional Intermediaries	**13,855**	**14.5%**
Total	**$ 95,259**	**100%**

Direct Institutional AUM by Geography	December 31, 2016	
	AUM	%
North America	$ 36,925	59.0%
Europe	12,712	20.3%
Asia & Australia	8,237	13.2%
Middle East	4,539	7.2%
Other	172	0.3%
Total	**$ 62,585**	**100%**

As of December 31, 2016, approximately 41% of our investors were committed to more than one fund, and approximately 36% were committed to between two and five funds, an increase from 24% and 22%, respectively, from December 31, 2011. We believe that the growing number of multi-fund investors demonstrates our investors' satisfaction with our performance, our disciplined management of their capital and our diverse product offering. Their loyalty has facilitated the growth of our existing businesses and we believe improves our ability to raise new funds and successor funds in existing strategies in the future.

Institutional investors are demonstrating a growing interest in separately managed accounts ("SMAs") , which include contractual arrangements and single investor vehicles, because these accounts can provide investors with greater levels of transparency, liquidity and control over their investments as compared to more traditional commingled funds. As such, we expect our AUM that is managed through SMAs to continue to grow over time. As of December 31, 2016, approximately $22.2 billion, or 34%, of our direct institutional AUM was managed through SMAs compared to $6.4 billion, or 27%, as of December 31, 2011.

Our publicly traded entities and their affiliates, including ARCC, ACRE and Ares Dynamic Credit Allocation Fund, Inc., account for approximately 20% of our AUM. We have over 500 institutional investors and over 200,000 retail investor accounts across our three publicly traded vehicles.

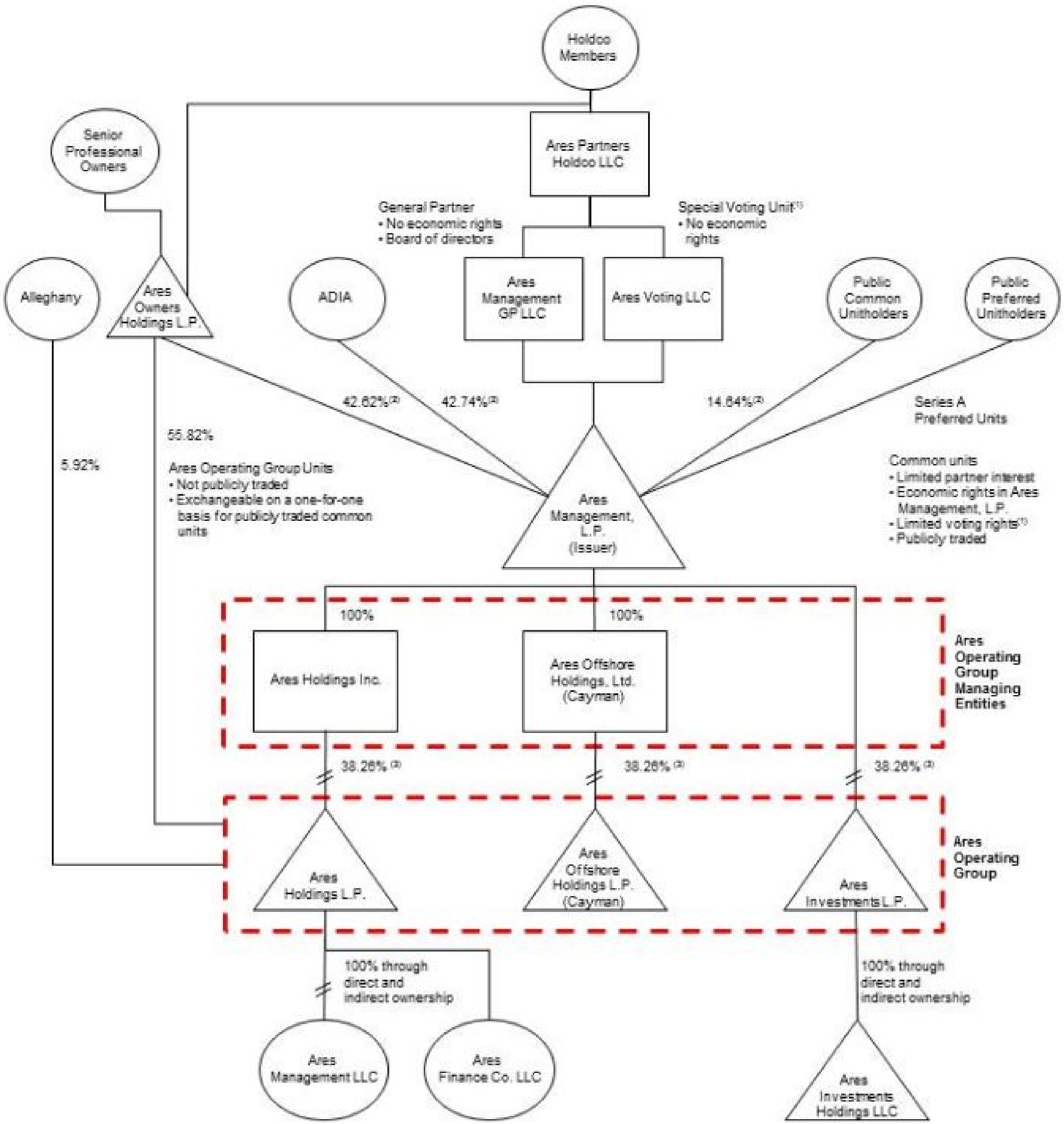
We believe that client relationships are fundamental to our business and that our performance across our investment groups coupled with our focus on client service has resulted in strong relationships with our investors. Our dedicated and extensive in-house business development team, comprised of approximately 80 professionals located in North America, Europe, Asia and Australia, is dedicated to raising capital globally across all of our funds, servicing existing fund investors and tailoring offerings to meet their needs, developing products to complement our existing offerings, and deepening existing relationships to expand them across our platform. Our senior Relationship Management team maintains an active and transparent dialogue with an expansive list of investors. This team is supported by Product Managers and Investor Relations professionals, with deep experience in each of our three complementary investment groups, who are dedicated to servicing our existing and prospective investors.

Employees

We believe that one of the strengths and principal reasons for our success is the quality and dedication of our employees. We work to attract, develop and retain highly accomplished professionals across the firm. We believe that we employ individuals with a strong sense of commitment to our firm . As of December 31, 2016, we had approximately 925 employees, comprised of approximately 370 professionals in our investment groups and 455 operations management professionals, in addition to administrative support, located in over 15 offices across four continents.

Organizational Structure

The simplified diagram below (which omits certain wholly owned intermediate holding companies) depicts our organizational structure. Ownership information in the diagram below is presented as of December 31, 2016. All entities are organized in the state of Delaware unless otherwise indicated. Ares Management, L.P. is a holding partnership and, either directly or through direct subsidiaries, is the general partner of each of the Ares Operating Group entities, and operates and controls the business and affairs of the Ares Operating Group. Ares Management, L.P. consolidates the financial results of the Ares Operating Group entities, their consolidated subsidiaries and certain consolidated funds.



Holdco Members
Senior Professional Owners
Ares Partners Holdco LLC
General Partner
• No economic rights
• Board of directors
Special Voting Unit(1)
• No economic rights
Alleghany
Ares Owners Holdings L.P.
ADIA
Ares Management GP LLC
Ares Voting LLC
Public Common Unitholders
Public Preferred Unitholders
42.62%(2)
42.74%(2)
14.64%(2)
Series A Preferred Units
55.82%
5.92%
Ares Operating Group Units
• Not publicly traded
• Exchangeable on a one-for-one basis for publicly traded common units
Ares Management, L.P. (Issuer)
Common units
• Limited partner interest
• Economic rights in Ares Management, L.P.
• Limited voting rights(1)
• Publicly traded
100%
100%
Ares Holdings Inc.
Ares Offshore Holdings, Ltd. (Cayman)
Ares Operating Group Managing Entities
38.26%(3)
38.26%(3)
38.26%(3)
Ares Holdings L.P.
Ares Offshore Holdings L.P. (Cayman)
Ares Investments L.P.
Ares Operating Group
100% through direct and indirect ownership
100% through direct and indirect ownership
Ares Management LLC
Ares Finance Co. LLC
Ares Investments Holdings LLC

(1) Ares Management, L.P. common unitholders have limited voting rights and have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. On those few matters that may be submitted for a vote of our common unitholders, Ares Voting LLC, an entity owned and controlled by Ares Partners Holdco LLC, which is in turn owned and controlled by the Holdco Members, holds a special voting unit that provides it with a number of votes, on any matter that may be submitted for a vote of our common unitholders, that is equal to the aggregate number of vested and unvested Ares Operating Group Units held directly or indirectly by the limited partners of the Ares Operating Group that do not directly hold a special voting unit. See "Material Provisions of Ares Management, L.P. Partnership Agreement—Withdrawal or Removal of the General Partner," "—Meetings; Voting" and "—Election of Directors of General Partner."
(2) Assuming the full exchange of Ares Operating Group Units for our common units, Ares Management, L.P. will own 100% of the Ares Operating Group and Ares Owners Holdings L.P., Alleghany, ADIA and A.M., L.P. will own 72.13%, 5.92%, 16.35% and 5.60%, respectively, of Ares Management, L.P. The foregoing excludes units issuable under equity incentive plans.
(3) Each Ares Operating Group entity has both common units and a new series of preferred units with economic terms designed to mirror those of the Series A Preferred units ("GP Mirror units") outstanding.

Holding Partnership Structure

Ares Management, L.P. is treated as a partnership and not as a corporation for U.S. federal income tax purposes. An entity that is treated as a partnership for U.S. federal income tax purposes generally incurs no U.S. federal income tax liability at the entity level. Instead, each partner is required to take into account its allocable share of items of income, gain, loss, deduction and credit of the partnership in computing its U.S. federal, state and local income tax liability each taxable year, whether or not cash distributions are made. Common unitholders are limited partners of Ares Management, L.P. Accordingly, common unitholders are required to report their allocable share of the income, gain, loss, deduction and credit of Ares Management, L.P., even if Ares Management, L.P. does not make cash distributions. The Ares Operating Group entities are treated as partnerships for U.S. federal income tax purposes. Accordingly, direct subsidiaries of Ares Management, L.P. that are treated as corporations for U.S. federal income tax purposes and that are the holders of Ares Operating Group Units are (and, in the case of Ares Offshore Holdings, Ltd., may be) subject to U.S. federal, state and local income taxes in respect of their interests in the Ares Operating Group entities.

Each of the Ares Operating Group entities has an identical number of partnership units outstanding. Ares Management, L.P. holds, directly or through direct subsidiaries, a number of Ares Operating Group Units equal to the number of common units that Ares Management, L.P. has issued. The Ares Operating Group Units held by Ares Management, L.P. and its subsidiaries are economically identical in all respects to the Ares Operating Group Units that are not held by Ares Management, L.P. and its subsidiaries. Accordingly, Ares Management, L.P. receives the income of the Ares Operating Group to the extent of its equity interest in the Ares Operating Group.

The Ares Operating Group Units and our common units held directly or indirectly by our senior professional owners are generally subject to restrictions on transfer and other provisions. See "Item 11. Executive Compensation."

Certain Corporate Governance Considerations

Voting Rights. Unlike the holders of common stock in a corporation, our common unitholders have limited voting rights and have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. On those few matters that may be submitted for a vote of our common unitholders, Ares Voting LLC, an entity wholly owned by Ares Partners Holdco LLC, which is in turn owned and controlled by the Holdco Members, holds a special voting unit that provides it with a number of votes, on any matter that may be submitted for a vote of our common unitholders, that is equal to the aggregate number of Ares Operating Group Units held by the limited partners of the Ares Operating Group entities that do not hold a special voting unit. We refer to our common units (other than those held by any person whom our general partner may from time to time, with such person's consent, designate as a non-voting common unitholder) and our special voting units as "voting units." Accordingly, on those few matters that may be submitted for a vote of our common unitholders, our public unitholders (other than ADIA) collectively have 5.60% of the voting power of Ares Management, L.P, and the Holdco Members, through Ares Owners Holdings L.P. and the special voting unit held by Ares Voting LLC, have approximately 72.13% of the voting power of Ares Management, L.P. Our common unitholders' voting rights are further restricted by the provision in our partnership agreement stating that any common units held by a person that beneficially owns 20% or more of any class of our common units then outstanding (other than our general partner, Ares Owners Holdings L.P., a member of Ares Partners Holdco LLC or their respective affiliates, a direct or subsequently approved transferee of our general partner or its affiliates or a person who acquired such common units with the prior approval of our general partner) cannot vote on any matter.

Election of Directors. In general, our common unitholders have no right to elect the directors of our general partner. However, when the Holdco Members and other then-current or former Ares personnel directly or indirectly hold less than 10% of the limited partner voting power, our common unitholders will have the right to vote in the election of the directors of our general partner. This voting power condition will be measured on January 31 of each year, and will be triggered if the total voting power held collectively by (i) holders of the special voting units in Ares Management, L.P. (including our general partner, members of Ares Partners Holdco LLC and their respective affiliates), (ii) then-current or former Ares personnel (including indirectly through related entities) and (iii) Ares Owners Holdings L.P.is less than 10% of the voting power of the outstanding voting units of Ares Management, L.P. For purposes of determining whether the Ares control condition is satisfied, our general partner will treat as outstanding, and as held by the foregoing persons, all voting units deliverable to such persons pursuant to equity awards granted to such persons. Unless and until the foregoing voting power condition is satisfied, our general partner's board of directors will be elected in accordance with its limited liability company agreement, which provides that directors generally may be appointed and removed by the member of our general partner, an entity owned and controlled by the Holdco Members. Unless and until the foregoing voting power condition is satisfied, the board of directors of our general partner has no authority other than that which its member chooses to delegate to it. In the event that the voting power condition is satisfied, the board of directors of our general partner will be responsible for the oversight of our business and operations.

Conflicts of Interest and Duties of Our General Partner. Although our general partner does not engage in any business activities other than the management and operation of our businesses, conflicts of interest may arise in the future between us or our common unitholders, on the one hand, and our general partner or its affiliates or associates, on the other. The resolutions of these conflicts may not always be in our best interests or that of our common unitholders. In addition, we have fiduciary and contractual obligations to the investors in our funds and we expect to regularly take actions with respect to the purchase or sale of investments in our funds, the structuring of investment transactions for those funds or otherwise that are in the best interests of the investors in those funds but that might at the same time adversely affect our near term results of operations or cash flow.

Our partnership agreement limits the liability of, and reduces or eliminates the duties (including fiduciary duties) owed by, our general partner and its affiliates and associates to us and our common unitholders. Our partnership agreement also restricts the remedies available to common unitholders for actions that might otherwise constitute breaches of our general partner's or its affiliates' or associates' duties (including fiduciary duties). Common unitholders are treated as having consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law.

Operations Management Group

The OMG consists of five independent, shared resource groups to support our reportable segments by providing infrastructure and administrative support in the areas of accounting/finance, operations/information technology, business development/corporate strategy, legal/compliance and human resources. Our clients seek to partner with investment management firms that not only have compelling investment track records across multiple investment products but also possess seasoned infrastructure support functions. As such, significant investments have been made to develop the OMG. We have successfully launched new business lines, integrated acquired businesses into the operations and created scale within the OMG to support a much larger platform in the future.

Structure and Operation of our Funds

We conduct the management of our funds and other similar private vehicles primarily through organizing a partnership or limited liability structure in which entities organized by us accept commitments and/or funds for investment from institutional investors and (to a limited extent) high net worth individuals. Such commitments are generally drawn down from investors on an as needed basis to fund investments over a specified term. Our Credit Group funds also include hedge funds or structured funds in which the investor's capital is fully funded into the fund upon or soon after the subscription for interests in the fund. The CLOs that we manage are structured investment vehicles that are generally private companies with limited liability. Our drawdown funds and hedge funds are generally organized as limited partnerships or limited liability companies, however there are non-U.S. funds that are structured as corporate or non-partnership entities under applicable law. We also advise a number of investors through SMA relationships structured as contractual arrangements or single investor vehicles. In the case of our SMAs that are not structured as single investor vehicles, the investor, rather than us, generally controls custody of the investments with respect to which we advise. Three of the vehicles that we manage are publicly traded corporations. The publicly traded corporations do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law (including distribution requirements that must be met to maintain RIC or REIT status). However, ACRE's charter includes certain limitations relating to the ownership or purported transfer of its common stock in violation of the REIT ownership requirements.

Our funds are generally advised by an indirect subsidiary of Ares Management LLC registered under the Investment Advisers Act or a wholly owned subsidiary thereof. Responsibility for the day-to-day operations of each investment vehicle is typically delegated to the Ares entity serving as investment adviser pursuant to an investment advisory (or similar) agreement. Generally, the material terms of our investment advisory agreements relate to the scope of services to be rendered by the investment adviser to the applicable vehicle, the calculation of management fees to be borne by investors in our investment vehicles and certain rights of termination with respect to our investment advisory agreements. With the exception of certain of the publicly traded corporations, the investment vehicles themselves do not generally register as investment companies under the Investment Company Act of 1940, as amended (the "Investment Company Act of 1940") in reliance on applicable exemptions thereunder.

The investment management agreements we enter into with clients in connection with contractual SMAs may generally be terminated by such clients with reasonably short prior written notice. Our investment management agreement with ARCC generally must be approved annually by such company's board of directors (including a majority of such company's independent directors). In addition to other termination provisions, each investment advisory and management agreement will automatically terminate in the event of its assignment and may be terminated by either party without penalty upon 60 days' written notice to the other party.

The governing agreements of many of our funds provide that, subject to certain conditions, third-party investors in those funds have the right to terminate the investment period or the fund without cause. The governing agreements of some of our funds provide that, subject to certain conditions, third-party investors have the right to remove the general partner. In addition, the governing agreements of certain of our funds provide that upon the occurrence of certain events, including in the event that certain "key persons" in our funds do not meet specified time commitments, the investment period will be suspended or the investors have the right to vote to terminate the investment period in accordance with specified procedures.

Fee Structure

Management Fees

The investment adviser of each of our funds and certain SMAs generally receives an annual management fee based upon a percentage of the fund's capital commitments, total assets or invested capital during the investment period and the fund's invested capital after the investment period, except for the investment advisers to certain of our hedge funds and separately managed accounts receive an annual management fee that is based upon a percentage of invested capital or net asset value throughout the term of the fund. From time to time we also may receive special fees, including commitment and portfolio management or monitoring fees, some of which may be accelerated upon a sale of the underlying portfolio investment. In certain circumstances we are contractually required to offset certain amounts against future management fees relating to the applicable fund. In addition, we may receive transaction fees from certain affiliated funds for activities related to fund transactions, such as loan originations. These fees are recognized as other revenue in the period the transaction related services are rendered.

The investment adviser of each of our CLOs typically receives annual management fees based upon a percentage of each CLO's total assets or invested capital, subject to certain performance measures related to the underlying assets the vehicle owns, and additional management fees which are incentive-based (that is, subject to meeting certain return criteria). We also classify the ARCC Part I Fees as management fees due to their predictability and frequency of payments without risk of contingent repayment. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Components of Consolidated Results of Operations—Revenues."

The management fees we receive from our drawdown style funds are typically payable on a quarterly basis over the life of the fund and do not depend on the investment performance of the fund (other than to reflect the disposition or decrease in value of assets where the management fees are based on invested capital). The management fees we receive from our hedge funds have similar characteristics, except that such funds often afford investors increased liquidity through annual, semi-annual or quarterly withdrawal or redemption rights following the expiration of a specified period of time when capital may not be withdrawn and the amount of management fees to which the investment adviser is entitled with respect thereto will proportionately increase as the net asset value of each investor's capital account grows and will proportionately decrease as the net asset value of each investor's capital account decreases. The management fees we receive from our SMAs are generally paid on a periodic basis (typically quarterly, subject to the termination rights described above) and may alternatively be based on invested capital or proportionately increase or decrease based on the net asset value of the separately managed account.

We also receive management fees in accordance with the investment advisory and management agreements we have with the publicly traded vehicles we manage. Base management fees we receive from ARCC are paid quarterly and proportionately increase or decrease based on ARCC's total assets (other than cash and cash equivalents). ARCC Part I Fees are also generally paid quarterly and proportionately increase or decrease based on ARCC's net investment income (before ARCC Part I Fees and ARCC Part II Fees (as defined in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Components of Consolidated Results of Operations—Revenues")), subject to a fixed hurdle rate. Management fees we receive from ARDC are generally paid on a regular basis (typically monthly) and proportionately increase or decrease based on the closed-end funds' total assets minus such funds' liabilities (other than liabilities relating to indebtedness). Management fees we receive from ACRE are generally paid on a quarterly basis and proportionately increase or decrease based on ACRE's stockholders' equity (as calculated pursuant to the ACRE management agreement).

Performance Fees

We may also receive performance fees from a majority of our funds, which may be either an incentive fee or a special allocation of income, which we refer to as a carried interest, in the event that specified investment returns are achieved by the fund. We may, and do in certain cases, award our employees and senior professionals with participation in such performance fees.

Incentive Fees

The general partners or similar entities of certain of our funds receive performance-based allocation fees ranging from 10% to 20% of the applicable fund's net capital appreciation per annum, subject to certain net loss carry- forward provisions (known as a "high-watermark"). In some cases, the investment adviser of each of our hedge funds and certain SMAs is entitled to an incentive fee generally up to 20% of the applicable fund's net appreciation per annum, subject to a high-watermark and in some cases a preferred return. Realized incentive fees are generally higher during the second half of the year due to the nature of certain Credit Group funds that typically realize incentive fees annually. Once realized, the fees earned by our hedge funds generally are not subject to a contingent repayment obligation. Incentive fees are realized at the end of a measurement period, typically quarterly or annually.

Incentive Fees from Publicly Traded Vehicles

We also are entitled to receive incentive fees in accordance with the investment advisory and management agreements we have with ARCC and ACRE. We may receive ARCC Part II Fees, which are calculated at the end of each applicable year by subtracting (a) the sum of ARCC's cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (b) its cumulative aggregate realized capital gains, in each case calculated from October 8, 2004. Incentive fees we receive from ACRE are based on a percentage of the difference between ACRE's core earnings (as defined in ACRE's management agreement) and an amount derived from the weighted average issue price per share of ACRE's common stock in its public offerings multiplied by the weighted average number of shares of common stock outstanding. We are not entitled to receive incentive fees from ARDC.

Carried Interest

The general partner or an affiliate of certain of our funds may be entitled to receive carried interest from a fund. Carried interest entitles the general partner (or an affiliate) to a special allocation of income and gains from a fund, and is typically structured as a net profits interest in the applicable fund. Carried interest is generally calculated on a "realized gain" basis, and the general partner of a fund is generally entitled to a carried interest between 10% and 20% of the net realized income and gains (generally taking into account unrealized losses) generated by such fund. Net realized income or loss is not netted between or among funds.

For most funds, the carried interest is subject to a preferred return ranging from 5% to 8%, subject in most cases to a catch-up allocation to the general partner. Generally, if at the termination of a fund (and in some cases at interim points in the life of a fund), the fund has not achieved investment returns that generally exceed the preferred return threshold or the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, the general partner will be obligated to repay an amount equal to the extent to which performance fees that were previously distributed to it exceeds the amounts to which the general partner is ultimately entitled. These repayment obligations may be related to amounts previously distributed to us and our senior professionals and are generally referred to as contingent repayment obligations.

Although a portion of any distributions by us to our common unitholders may include carried interest received by us, we do not intend to seek fulfillment of any contingent repayment obligation by seeking to have our common unitholders return any portion of such distributions attributable to carried interest associated with any contingent repayment obligation. Contingent repayment obligations operate with respect to a given fund's own net investment performance only and performance fees of other funds are not netted for determining this contingent obligation. Although a contingent repayment obligation is several to each person who received a distribution, and not a joint obligation, the governing agreements of our funds generally provide that, if a recipient does not fund his or her respective share, we may have to fund such additional amounts beyond the amount of performance fees we retained, although we generally will retain the right to pursue remedies against those performance fee recipients who fail to fund their obligations.

For additional information concerning the contingent repayment obligations we could face, see "Item 1A. Risk Factors—We may need to pay these contingent obligations if and when they are triggered under the governing agreements with our investors."

Capital Invested In and Through Our Funds

To further align our interests with those of investors in our funds, we have invested the firm's capital and that of our professionals in the funds we sponsor and manage. General partner capital commitments to our funds are determined separately with respect to our funds and, generally, are less than 5% of the total commitments of any particular fund. We determine the general partner capital commitments based on a variety of factors, including regulatory requirements, investor requirements, estimates regarding liquidity over the estimated time period during which commitments will be funded, estimates regarding the amounts of capital that may be appropriate for other opportunities or other funds we may be in the process of raising or are considering raising, prevailing industry standards with respect to sponsor commitments and our general working capital requirements. We may from time to time offer to our senior professionals a part of the general partner commitments to our funds. Our general partner capital commitments are typically funded with cash and not with carried interest or deferral of management fees. For more information, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources and Uses of Liquidity.”

Regulatory and Compliance Matters

Our businesses, as well as the financial services industry generally are subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations or exchanges in the U.S. and foreign jurisdictions in which we operate relating to, among other things, antitrust laws, anti-money laundering laws, anti-bribery laws relating to foreign officials, and privacy laws with respect to client information, and some of our funds invest in businesses that operate in highly regulated industries. Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. Any failure to comply with these rules and regulations could expose us to liability and/or reputational damage. In addition, additional legislation, increasing global regulatory oversight of fundraising activities, changes in rules promulgated by self-regulatory organizations or exchanges or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect our mode of operation and profitability. See “Item 1A. Risk Factors—Risks Related to Our Businesses—Extensive regulation in the United States affects our activities and creates the potential for significant liabilities and penalties that could adversely affect our businesses and results of operations,” “—Failure to comply with “pay to play” regulations implemented by the SEC and certain states, and changes to the “pay to play” regulatory regimes, could adversely affect our businesses,” “—Regulatory changes and other developments in the United States and regulatory compliance failures could adversely affect our reputation, businesses and operations” and “—Regulatory changes in jurisdictions outside the United States could adversely affect our businesses.”

Rigorous legal and compliance analysis of our businesses and investments is important to our culture. We strive to maintain a culture of compliance through the use of policies and procedures such as oversight compliance, codes of ethics, compliance systems, communication of compliance guidance and employee education and training. We have a compliance group that monitors our compliance with the regulatory requirements to which we are subject and manages our compliance policies and procedures. Our Chief Compliance Officer, together with our Chief Legal Officer, supervises our compliance group, which is responsible for monitoring all regulatory and compliance matters that affect our activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, position reporting, personal securities trading, valuation of investments on a fund-specific basis, document retention, potential conflicts of interest and the allocation of investment opportunities.

United States

The SEC oversees the activities of our subsidiaries that are registered investment advisers under the Investment Advisers Act. The Financial Industry Regulatory Authority (“FINRA”) oversees the activities of our subsidiary Ares Investor Services LLC ("AIS") as a registered broker-dealer. In connection with certain investments made by funds in our Private Equity Group, certain of our subsidiaries are subject to audits by the Defense Security Service to determine whether we are under foreign ownership, control or influence. In addition, we regularly rely on exemptions from various requirements of the Securities Act of 1933, as amended (the “Securities Act”), the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Investment Company Act, the Commodity Exchange Act and ERISA. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties who we do not control.

All of our funds are advised by investment advisers that are registered with the SEC (or wholly owned subsidiaries thereof). Registered investment advisers are subject to more stringent requirements and regulations under the Investment Advisers Act than unregistered investment advisers. Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, managing conflicts of interest and general anti-fraud prohibitions. In addition, the SEC requires investment advisers registered or required to register with the SEC under the Investment Advisers Act that advise one or more private funds and have at least $150 million in private fund assets under management to periodically file reports on Form PF. We have filed, and will continue to file, quarterly reports on Form PF.

ARCC is a registered investment company that has elected to be treated as a business development company under the Investment Company Act. ARDC and certain other funds are registered investment companies under the Investment Company Act. Each of the registered investment companies has elected, for U.S. federal tax purposes, to be treated as a regulated investment company under Subchapter M of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). As such, each registered investment company is required to distribute at least 90% of its ordinary income and realized, net short-term capital gains in excess of realized net long-term capital losses, if any, to its shareholders. In addition, to avoid excise tax, each registered investment company is required to distribute at least 98% of its income (such income to include both ordinary income and net capital gains), which would take into account short-term and long-term capital gains and losses. Each registered investment company, at each of its discretions, may carry forward taxable income in excess of calendar year distributions and pay an excise tax on this income. In addition, as a business development company, ARCC must not acquire any assets other than “qualifying assets” specified in the Investment Company Act unless, at the time the acquisition is made, at least 70% of ARCC’s total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in “eligible portfolio companies.”

ACRE has elected and qualified to be taxed as a real estate investment trust, or REIT, under the Code. To maintain its qualification as a REIT, ACRE must distribute at least 90% of its taxable income to its shareholders and meet, on a continuing basis, certain other complex requirements under the Code.

AIS, our wholly owned subsidiary, is registered as a broker-dealer with the SEC, and is a member of FINRA. As a broker- dealer, this subsidiary is subject to regulation and oversight by the SEC and state securities regulators. In addition, FINRA, a self-regulatory organization that is subject to oversight by the SEC, promulgates and enforces rules governing the conduct of, and examines the activities of, its member firms. Due to the limited authority granted to our subsidiary in its capacity as a broker-dealer, it is not required to comply with certain regulations covering trade practices among broker-dealers and the use and safekeeping of customers’ funds and securities. As a registered broker-dealer and member of a self-regulatory organization, AIS is, however, subject to the SEC’s uniform net capital rule. Rule 15c3-1 of the Exchange Act specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer’s assets be kept in relatively liquid form.

The SEC and various self-regulatory organizations have in recent years increased their regulatory activities in respect of investment management firms. In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was signed into law and has imposed significant regulations on nearly every aspect of the U.S. financial services industry.

In October 2011, the Federal Reserve and other federal regulatory agencies issued a proposed rule implementing a section of the Dodd-Frank Act that has become known as the “Volcker Rule.” The Volcker Rule generally prohibits insured banks or thrifts, any bank holding company or savings and loan holding company, any non-U.S. bank with a U.S. branch, agency or commercial lending company and any subsidiaries and affiliates of such entities, regardless of geographic location, from investing in or sponsoring “covered funds,” which include private equity funds or hedge funds. The final Volcker Rule became effective on April 1, 2014 and is subject to a conformance period (ending July 21, 2017). It contains exemptions for certain “permitted activities” that would enable certain institutions subject to the Volcker Rule to continue investing in covered funds under certain conditions.

In 2013, the Office of the Comptroller of the Currency, the Department of the Treasury, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation published revised guidance regarding expectations for banks’ leveraged lending activities. This guidance, in addition to the Dodd-Frank Act risk retention rules approved in October 2014, could further restrict credit availability, as well as potentially restrict the activities of certain funds who invest in broadly syndicated loans in our Credit Group, which supports many of its portfolio investments from banks’ lending activities.

Pursuant to the Dodd-Frank Act, regulation of the derivatives market is bifurcated between the U.S. Commodities Futures Trading Commission (the “CFTC”) and the SEC. Under the Dodd-Frank Act, the CFTC has jurisdiction over swaps and the SEC has jurisdiction over security-based swaps. As part of its Dodd- Frank Act related rule-making process, the CFTC made changes to its rules with respect to the registration and oversight of commodity pool operators (“CPOs”). Such rules require that an entity that is a CPO must register with the CFTC unless an exemption from registration is available. Previously, the CPO registration rules had applied to the operator of a fund invested in “commodity interests,” meaning that the fund entered into futures or options with respect to commodities. As a result of the CFTC’s revisions to these rules, all swaps (other than security-based swaps) are now included in the definition of commodity interests. As a result, funds that utilize swaps (whether or not related to a commodity) as part of their business model may fall within the statutory definition of a commodity pool. If a fund qualifies as a commodity pool, then, absent an available exemption, the operator of such a fund is required to register with the CFTC as a CPO. Registration with the CFTC renders such CPO subject to regulation, including with respect to disclosure, reporting, recordkeeping and business conduct.

Certain of our funds may from time to time, directly or indirectly, invest in instruments that meet the definition of a “swap” under the Commodity Exchange Act and the CFTC’s rules promulgated thereunder. As a result, such funds may qualify as commodity pools, and the operators of such funds may need to register as CPOs unless an exemption applies such as the so-called “de minimis” exemption, codified in CFTC rule 4.13(a)(3). If any of our funds cease to qualify for this (or another applicable) exemption, certain Ares entities associated with and/or affiliated with those funds will be required to register with the CFTC as commodity pool operators.

The Dodd-Frank Act requires the CFTC, the SEC and other regulatory authorities to promulgate certain rules relating to the regulation of the derivatives market. Such rules require or will require the registration of certain market participants, the clearing of certain derivatives contracts through central counterparties, the execution of certain derivatives contracts on electronic platforms, as well as reporting and recordkeeping. The Dodd-Frank Act also provides expanded enforcement authority to the CFTC and SEC. While certain rules have been promulgated and are already in effect, the rulemaking and implementation process is still ongoing. In particular, the CFTC has finalized most of its rules under the Dodd-Frank Act, and the SEC has proposed a number of rules regarding security-based swaps but has only finalized some of these rules. We cannot therefore yet predict the ultimate effect of the rules and regulations on our business.

Under CFTC and SEC rules, an entity may be required to register as a major swap participant ("MSP") or major security-based swap participant ("MSBSP") if it has substantial swaps or security-based swaps positions or has substantial counterparty exposure from its swaps or security-based swaps positions. If any of our funds were required to register as an MSP or MSBSP, it could make compliance more expensive, affect the manner in which we conduct our businesses and adversely affect our profitability. Additionally, if any of our funds qualify as "special entities" under CFTC rules, it could make it more difficult for them to enter into derivatives transactions or make such transactions more expensive.

The CFTC has issued final rules imposing reporting and recordkeeping requirements on swaps market participants. Such rules are currently effective and could significantly increase operating costs. These additional recordkeeping and reporting requirements may require additional compliance resources and may also have a negative effect on market liquidity, which could negatively impact commodity prices and our ability to hedge our price risks.

Pursuant to rules finalized by the CFTC in December 2012 and September 2016, certain classes of interest rate swaps and certain classes of credit default swaps are subject to mandatory clearing, unless an exemption applies. Many of these swaps are also subject to mandatory trading on designated contract markets or swap execution facilities. At this time, the CFTC has not proposed any rules designating other classes of swaps for mandatory clearing, but it may do so in the future. Mandatory clearing and trade execution requirements may change the cost and availability of the swaps that we use, and exposes us to the credit risk of the clearing house through which any cleared swap is cleared. In addition, federal bank regulatory authorities and the CFTC have adopted initial and variation margin requirements for swap dealers, security-based swap dealers, MSPs and MSBSPs ("swap entities"), including permissible forms of margin, custodial arrangements and documentation requirements, for uncleared swaps and security-based swaps. As a result, swap entities will be required to collect margin for transactions and positions in uncleared swaps and security-based swaps by financial end users. The new rules will become effective for end users on March 1, 2017. On February 13, 2017, the CFTC's Division of Swap Dealer and Intermediary Oversight announced a grace period until September 1, 2017, to comply with the variation margin requirements for swaps that are subject to a March 1, 2017 compliance date. The effect of the regulations on us is not fully known at this time. However, these rules may increase the cost of our activity in uncleared swaps and security-based swaps to the extent we are determined to be a financial end user.

In December 2016, the CFTC reproposed rules that would set federal position limits for certain core physical commodity futures, options and swap contracts ("referenced contracts"), and issued final rules on aggregation among entities under common ownership or control, unless an exemption applies, for position limits on certain futures and options contracts that would apply to the proposed position limits on referenced contracts. It is possible that the CFTC could propose to expand such requirements to other types of contracts in the future. The proposal could affect our ability and the ability for our funds to enter into derivatives transactions if and when the CFTC's position limits rules become effective.

The CFTC has finalized regulations requiring collateral used to margin cleared swaps to be segregated in a manner different from that applicable to the futures market and has finalized other rules allowing parties to an uncleared swap to require that any collateral posted as initial margin be segregated with a third party custodian. Collateral segregation may impose greater costs on us when entering into swaps.

Finally, the Dodd-Frank Act gave the CFTC expanded anti-fraud and anti-manipulation authority, including authority over disruptive trading practices and insider trading. Several investigations have commenced in the United States related to manipulation of the foreign exchange, LIBOR and indices markets. It is possible that new standards will emerge from these proceedings that could impact the way that we trade.

The Dodd-Frank Act authorizes federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk-taking by covered financial institutions. Federal bank regulatory authorities and the SEC have proposed a rule to implement the law that generally (1) prohibits incentive-based payment arrangements that they determine encourage inappropriate risks by certain financial institutions by providing excessive compensation or that could lead to material financial loss and (2) requires those financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate Federal regulator.

The Dodd-Frank Act also requires public companies to adopt and disclose policies requiring, in the event the company is required to issue an accounting restatement, the contingent repayment obligations of related incentive compensation from current and former executive officers. Such restrictions could limit our ability to recruit and retain investment professionals and senior management executives.

The Dodd-Frank Act amends the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower.

Many of these provisions are subject to further rulemaking and to the discretion of regulatory bodies, such as the Council and the Federal Reserve. On February 3, 2017, President Trump signed an executive order addressing regulation of the U.S. financial system. The order purports to give the Department of the Treasury the authority to restructure major provisions of the Dodd-Frank Act. The ultimate impact of this order and its implementation on existing and proposed regulations under the Dodd-Frank Act and other rules and regulations applicable to the U.S. financial system are uncertain; however, such impact could be material to our industry, business and operations.

Other Jurisdictions

Certain of our subsidiaries operate outside the United States. In the United Kingdom, Ares Management Limited and Ares Management UK Limited are subject to regulation by the U.K. Financial Conduct Authority ("FCA"). Ares European Loan Management LLP, which is not a subsidiary, but in which we are indirectly invested and which procures certain services from Ares Management Limited, is also subject to regulation by the FCA. In some circumstances, Ares Management Limited, Ares Management UK Limited, Ares European Loan Management LLP and other Ares entities are or become subject to UK or EU laws, for instance in relation to marketing our funds to investors in the European Economic Area ("EEA").

European Union legislation could impact our business in the United Kingdom and in other EEA member states where we have operations. The following measures are of particular relevance to our business.

In March 2013, the predecessor regulator to the FCA published final rules for the FCA's regulation and supervision of the London Interbank Offered Rate ("LIBOR"). In particular, the FCA's LIBOR rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts of interest policy and appropriate systems and controls. These requirements may cause LIBOR to be more volatile than it has been in the past, which may adversely affect the value of investments made by our funds. On February 3, 2014, ICE Benchmark Administration Limited took responsibility for administering LIBOR, following regulatory authorization by the FCA.

The EU Benchmarks Regulation (the "Benchmarks Regulation") entered into force on June 30, 2016. It aims to introduce a common framework and consistent approach to benchmark regulation across the EU by regulating producers, contributors to and users of benchmarks. The Benchmarks Regulation will replace the current UK framework regulating LIBOR and other specified benchmarks, notably the Euro interbank offered rate ("EURIBOR"). Certain requirements of the Benchmarks Regulation have already entered into force, but the majority will apply from January 1, 2018. Although there are measures in the Benchmarks Regulation which are designed to prevent certain benchmarks from being undermined by a material reduction of benchmark contributors, it is not yet clear how successful these will be. The Benchmarks Regulation may therefore lead to unpredictable developments in relation to LIBOR and certain other benchmarks, which could affect the value of investments made by our funds.

The EU Capital Requirements Directive IV and Capital Requirements Regulation (collectively, "CRD IV") and the EU Alternative Investment Fund Managers Directive (the "Directive") could restrict the ability of banks and alternative investment funds ("AIFs") managed in the EU to invest in securitization vehicles including collateralized loan obligations operated by us unless either the "originator", "original lender" or "sponsor" (as those terms are defined in the legislation) retains a prescribed interest in the securitization concerned. Where such securitization arrangements are managed by Ares-affiliated undertakings, this risk retention requirement will, at present, need to be held by an appropriately EU authorized and regulated entity affiliated with us (i.e. as "sponsor"). The holding of that retention on our affiliate's balance sheet is likely to increase that entity's regulatory capital requirement and will accordingly adversely affect return on equity. In September 2015, the EU Commission published proposals for a new securitization regulation as part of its Capital Markets Union Action Plan (the "Securitization Regulation"). The text of the Securitization Regulation continues to be negotiated and no single compromise text yet exists. Measures likely to be included in the final text include a proposal for a new "direct approach" to securitization retention requirements for lenders, originators and sponsors, placing them under a direct obligation to hold the retention slice (rather than creating an indirect obligation through increased capital requirements for EU investors in non-compliant securitizations). There is also likely to be new investor transparency requirements which would require additional information to be disclosed to investors. Compliance with the proposed new requirements in the securitization regulation may result in us incurring material costs.

The EU Regulation on OTC derivative transactions, central counterparties and trade repositories (commonly known as the "European Market Infrastructure Regulation" or "EMIR") will require the mandatory clearing of certain over-the-counter ("OTC") derivatives through central counterparties. Beginning June 21, 2017, this mandatory clearing obligation will begin to apply to certain Ares-affiliated undertakings that enter into an eligible derivative transaction with another financial counterparty or a non-financial counterparty whose OTC derivative exposures exceed a prescribed clearing threshold, although the implementation of this requirement may be subject to a delay. EMIR will further require certain Ares-affiliated undertakings to provide margin in respect of OTC derivative transactions that are not cleared by a central counterparty from March 1, 2017. EMIR does not have a material impact on Ares-affiliated undertakings at present, although as these implementation dates are reached the cost of complying with the requirements is likely to increase.

On January 29, 2014, the European Commission published a proposal for a new regulation dealing with structural measures to improve the resilience of EU credit institutions, known as the Banking Structural Regulation. Provisions in the proposed regulation would prohibit systemically important EU banks from acquiring, owning, sponsoring or having an exposure to an AIF, unless that AIF is unleveraged, closed-ended and either established in the EEA or, if it is not established in the EEA, marketed in the EEA. There has been considerable political disagreement in relation to the legislative proposals and the precise scope of this proposed regulation and its timescale for coming into force is currently uncertain. However, the European Parliament and European Council are aiming to seek political agreement during 2017. The final proposals, if adopted, may affect our ability to raise capital in our funds from EU banks.

On December 14, 2015, the European Banking Authority published guidelines which are relevant to, amongst other things, EU banks' exposures to shadow banking entities. These guidelines became effective on January 1, 2017. The definition of a shadow banking entity is extremely wide and could potentially include a number of different entities, such as investment funds and securitization vehicles. AIFs are excluded from the definition of a shadow banking entity unless they: (1) deploy leverage within the meaning of the Directive on a substantial basis; or (2) are permitted to originate loans or purchase third party lending exposures onto their balance sheet pursuant to the relevant fund rules or constitutional documents. These guidelines may affect our ability to raise capital in certain of our funds from EU banks.

Our other European and Asian operations and our investment activities worldwide are subject to a variety of regulatory regimes that vary by country. In addition, we regularly rely on exemptions from various requirements of the regulations of certain foreign countries in conducting our asset management activities.

Alternative Investment Fund Managers Directive (the "Directive")

The Directive was enacted in July 2011 and took effect on July 22, 2013. The Directive applies to (1) Alternative Investment Fund Managers ("AIFMs") established in the EEA that manage EEA or non-EEA AIFs, (2) non-EEA AIFMs that manage EEA AIFs and (3) non-EEA AIFMs that market their AIFs to professional investors within the EEA.

Beginning July 22, 2013, the Directive imposed new operating requirements the categories of AIFMs listed at (1) and (2) in the paragraph above. In addition, each of the AIFMs identified at (1), (2) and (3) of the paragraph above will need to comply with the Directive's disclosure and transparency requirements when seeking to market within the EEA and, in the case of non-EEA AIFMs seeking to market under jurisdiction specific private placement regimes, additional jurisdiction specific requirements where these exist (e.g., appointing a depositary).

The full scope of the Directive may also be extended on a jurisdiction-by-jurisdiction basis to non-EEA AIFMs that wish to market an AIF within the EEA pursuant to a pan-European marketing passport. In July 2016, the European Securities and Markets Authority ("ESMA") published advice to EU institutions on extending the passport to certain non-EU jurisdictions. This included positive assessments in respect of extending the passport under the Directive to five non-EEA jurisdictions, which notably did not include the United States or the Cayman Islands. ESMA expressed a qualified assessment in respect of the United States due to concerns about reciprocity of market access. ESMA gave no assessment in respect of the Cayman Islands. The European Commission was expected and arguably required to publish legislation before the end of October 2016 setting a date for the pan-European marketing passport to be made available, at least in respect of the five non-EEA jurisdictions it had assessed positively. It did not publish this legislation in 2016 and, due to a number of reasons, it is unclear when legislation will be implemented to develop the non-EEA AIFM passport. Certain of the jurisdiction specific private placement regimes may cease to exist when the non-EEA AIFM passport becomes available. This development could have a negative impact on our ability to raise capital from EEA investors if, for example, a jurisdiction specific private placement regime ceases to operate and the non-EEA AIFM passport is not made available to United States AIFMs.

The operating requirements imposed by the Directive include, amongst other things, rules relating to the remuneration of certain personnel, minimum regulatory capital requirements, restrictions on the use of leverage, restrictions on early distributions relating to portfolio companies (so called "asset stripping rules"), disclosure and reporting requirements to both investors and home state regulators, the independent valuation of an AIF's assets and the appointment of an independent depository to hold assets. As a result, the Directive increases the regulatory burden and the cost of doing business for Ares Management UK Limited and, to a more limited extent, non-EEA AIFMs which market to non-EEA AIFs under EEA private placement regimes. This potentially disadvantages our funds as investors in private companies located in EEA member states when compared to non-AIF/AIFM competitors that may not be subject to the requirements of the Directive, thereby potentially restricting our funds' ability to invest in such companies.

The Directive allows AIFMs to invest in securitizations on behalf of the alternative investment funds they manage, only if the originator, sponsor or original lender for the securitization has explicitly disclosed that it will retain, on an ongoing basis, a material net economic interest of not less than 5% of the nominal value of the securitized exposures or of the tranches sold to investors and certain due diligence undertakings are made. AIFMs that discover after the assumption of a securitization exposure that the retained interest does not meet the requirements, or subsequently falls below 5% of the economic risk, are required to take such corrective action as is in the best interests of investors. It remains to be seen how AIFMs will address this requirement in practice. These requirements, along with other changes to the regulation or regulatory treatment of securitizations, may negatively affect the value of investments made by our funds.

The Directive could also limit our operating flexibility and our investment opportunities, as well as expose us and/or our funds to conflicting regulatory requirements in the United States (and elsewhere).

Solvency II

Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance ("Solvency II") sets out stronger capital adequacy and risk management requirements for European insurers and reinsurers and, in particular, dictates how much capital such firms must hold against their liabilities and introduces a risk-based assessment of those liabilities. Solvency II came into force on January 1, 2010 but was only required to be implemented by firms on January 1, 2016. There are also a number of transitional provisions designed to avoid market disruption. Solvency II imposes, amongst other things, substantially greater quantitative and qualitative capital requirements for insurers and reinsurers as well as other supervisory and disclosure requirements. We are not subject to Solvency II; however, many of our European insurer or reinsurer fund investors are subject to this directive, as applied under applicable domestic law. Solvency II may impact insurers' and reinsurers' investment decisions and their asset allocations. In addition, insurers and reinsurers will be subject to more onerous data collation and reporting requirements. As a result, Solvency II could have an adverse indirect effect on our businesses by, amongst other things, restricting the ability of European insurers and reinsurers to invest in our funds and imposing on us extensive disclosure and reporting obligations for those insurers and reinsurers that do invest in our funds. The final details and requirements of the subsidiary regulations pursuant to Solvency II remain uncertain and are subject to change as a result of enactment both of related EU legislation, guidelines and national implementing legislation in EEA member states.

MiFID II

The recast Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (collectively referred to as MiFID II) will come into effect beginning January 3, 2018. MiFID II will amend the existing MiFID regime and, amongst other requirements, will introduce new organizational and operational requirements for investment firms in the EEA. Compliance with these new rules may require updates to existing procedures, systems and controls and the development of new internal systems, which may include substantial automated and electronic systems, and is likely to involve material costs to the business.

European Union Referendum in the United Kingdom

On June 23, 2016, the United Kingdom ("UK") electorate voted in support of the UK leaving the European Union ("EU"). The implications of the UK's pending withdrawal from the EU are unclear at present because the relationship between the UK and the EU after such withdrawal is unclear. It is likely that this matter will be negotiated over the next several years. As a result, our ability to, amongst other things, (1) market interests in our funds to EU investors; and/or (2) lend to EU borrowers or invest in EU assets may be adversely affected.

Competition

The investment management industry is intensely competitive, and we expect it to remain so. We compete both globally and on a regional, industry and asset basis.

We face competition both in the pursuit of fund investors and investment opportunities. Generally, our competition varies across business lines, geographies and financial markets. We compete for outside investors based on a variety of factors, including investment performance, investor perception of investment managers' drive, focus and alignment of interest, quality of service provided to and duration of relationship with investors, business reputation and the level of fees and expenses charged for services.

We compete for investment opportunities based on a variety of factors, including breadth of market coverage and relationships, access to capital, transaction execution skills, the range of products and services offered, innovation and price.

We expect to face competition in our direct lending, trading, acquisitions and other investment activities primarily from business development companies, credit and real estate funds, specialized funds, hedge fund sponsors, financial institutions, private equity funds, corporate buyers and other parties. Many of these competitors in some of our businesses are substantially larger and have considerably greater financial, technical and marketing resources than are available to us. Many of these competitors have similar investment objectives to us, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make. Corporate buyers may be able to achieve synergistic cost savings with regard to an investment that may provide them with a competitive advantage in bidding for an investment. Lastly, institutional and individual investors are allocating increasing amounts of capital to alternative investment strategies. Several large institutional investors have announced a desire to consolidate their investments in a more limited number of managers. We expect that this will cause competition in our industry to intensify and could lead to a reduction in the size and duration of pricing inefficiencies that many of our funds seek to exploit.

Competition is also intense for the attraction and retention of qualified employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

For additional information concerning the competitive risks that we face, see "Item 1A. Risk Factors—Risks Related to Our Businesses—The investment management business is intensely competitive."

Available Information

Ares Management, L.P. was formed as a Delaware limited partnership on November 15, 2013. Our principal executive offices are located at 2000 Avenue of the Stars, 12 th Floor, Los Angeles, California 90067, and our telephone number is (310) 201- 4100.

Our website address is http://www.aresmgmt.com. Information on our website is not a part of this report and is not incorporated by reference herein. We make available free of charge on our website or provide a link on our website to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the SEC. To access these filings, go to the "Investor Resources" section of our website and then click on "SEC Filings." You may also read and copy any document we file with the SEC at the SEC's public reference room located at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, these reports and the other documents we file with the SEC are available at a website maintained by the SEC at http://www.sec.gov.

ITEM 1A. RISK FACTORS

Summary of Risks

Our businesses are subject to a number of inherent risks. We believe that the primary risks affecting our businesses and an investment in our units are:

- a complex regulatory and tax environment involving rules and regulations (both domestic and foreign), some of which are outdated relative to today's complex financial activities and some of which are subject to political influence, which could restrict or require us to adjust our operations or the operations of our funds or portfolio companies and subject us to increased compliance costs and administrative burdens, as well as restrictions on our business activities;

- poor performance by our funds, including due to market conditions, political actions or environments, monetary and fiscal policy or other conditions beyond our control;

- the reputational harm that we would experience as a result of inappropriately addressing conflicts of interest, poor performance by the investments we manage or the actual or alleged failure by us, our employees, our funds or our portfolio companies to comply with applicable regulations in an increasingly complex political and regulatory environment;

- potential variability in our period to period earnings due primarily to mark-to-market valuations of our funds' investments. As a result of this variability, the market price of our common units may be volatile and subject to fluctuations; the increasing demands of the investing community, including the potential for fee compression and changes to other terms, which could materially adversely affect our revenues; and

- an investment in our units is not an investment in our underlying funds. Moreover, there can be no assurance that projections respecting performance of our underlying funds or unrealized values will be achieved.

Risks Related to Our Businesses

Difficult market and political conditions may adversely affect our businesses in many ways, including by reducing the value or hampering the performance of the investments made by our funds or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow and adversely affect our financial prospects and condition.

Our businesses are materially affected by conditions in the global financial markets and economic and political conditions throughout the world, such as interest rates, the availability and cost of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to our taxation, taxation of our investors, the possibility of changes to tax laws in either the United States or any non-U.S. jurisdiction and regulations on alternative asset managers), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts and security operations). These factors are outside of our control and may affect the level and volatility of securities prices and the liquidity and value of investments, and we may not be able to or may choose not to manage our exposure to these conditions.

Global financial markets have experienced heightened volatility in recent periods, including during August and September 2015, then again in January 2016, following the decision of the People's Bank of China to reduce the foreign exchange value of the renminbi, and again in June 2016 following the referendum in the UK in favor of exiting the EU. The transition of leadership following the 2016 U.S. presidential and congressional election and related uncertainty regarding potential shifts in U.S. foreign, trade, economic and other policies under the new administration have heightened volatility in the U.S. and global markets, which could persist for an extended period. Concerns over significant declines in the commodities markets, concerns over increasing interest rates, particularly short-term rates, increases in the foreign exchange value of the U.S. dollar, sluggish economic expansion in non-U.S. economies, including continued concerns over growth prospects in China and emerging markets, growing debt loads for certain countries and uncertainty about the consequences of the U.S. and other governments withdrawing monetary stimulus measures all highlight the fact that economic conditions remain unpredictable and volatile.

The ongoing weakness in commodity prices, especially of crude oil, and the uncertainty regarding the stability of the oil and gas markets have resulted in a tightening of the credit market across multiple sectors. Following mark-to-market losses on commodity-related debt, overall credit returns remained in negative territory in 2016 and increased financing costs for businesses in unrelated sectors. In addition, following a sustained period of historically low interest rate levels, the Federal Reserve raised the federal funds rate in December 2015 and again in December 2016. These developments, along with the U.S. government's credit and deficit concerns, the European sovereign debt crisis and the economic slowdown in China, caused borrowing costs to rise and generally constrained access to leverage.

Further, the potential impact of the results of the presidential election and resulting uncertainties regarding possible policies that could be implemented has led to further disruption, instability and volatility in the global markets. There can be no assurance these market conditions will not continue or worsen in the future.

These and other conditions in the global financial markets and the global economy have resulted in, and may continue to result in, adverse consequences for us and many of our funds, each of which could adversely affect the business of such funds, restrict such funds' investment activities, impede such funds' ability to effectively achieve their investment objectives and result in lower returns than we anticipated at the time certain of our investments were made. More specifically, these economic conditions could adversely affect our operating results by causing:

- decreases in the market value of securities and debt instruments held by some of our funds;
- illiquidity in the market, which could adversely affect transaction volumes and the pace of realization of our funds' investments or otherwise restrict the ability of our funds to realize value from their investments, thereby adversely affecting our ability to generate incentive or other income;
- our assets under management to decrease, thereby lowering management fees payable by our funds; and
- increases in costs or reduced availability of financial instruments that finance our funds.

During periods of difficult market conditions or slowdowns (which may be across one or more industries, sectors or geographies), companies in which we invest may experience decreased revenues, financial losses, credit rating downgrades, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due, including expenses payable to us. Negative financial results in our funds' portfolio companies may reduce the value of our portfolio companies, the net asset value of our funds and the investment returns for our funds, which could have a material adverse effect on our operating results and cash flow. In addition, such conditions would increase the risk of default with respect to credit-oriented or debt investments. Our funds may be adversely affected by reduced opportunities to exit and realize value from their investments, by lower than expected returns on investments made prior to the deterioration of the credit markets and by our inability to find suitable investments for the funds to effectively deploy capital, which could adversely affect our ability to raise new funds and thus adversely impact our prospects for future growth.

Political and regulatory conditions, including the effects of negative publicity surrounding the financial industry in general and proposed legislation, could adversely affect our businesses or cause a material increase in our tax liability.

As a result of market disruptions and highly publicized financial scandals in recent years, regulators and investors have exhibited concerns over the integrity of the U.S. financial markets, and the businesses in which we operate both in the United States and outside the United States will be subject to new or additional regulations. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, the CFTC or other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. See "-Regulatory changes and other developments in the United States and regulatory compliance failures could adversely affect our reputation, businesses and operations."

On several occasions in recent years, the U.S. Congress has considered legislative proposals that, if enacted, would repeal the exception from taxation as a corporation currently available to certain publicly traded partnerships and/or would raise the tax rate on carried interest and treat carried interest as ordinary income as well as change the tax treatment of investment managers and investment structures. A number of similar legislative proposals have been introduced in state legislatures. If these proposals or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability, our cash available for distribution would be reduced, which could reduce the value of our units, our effective tax rate could increase significantly or the amount of taxes that we, our professionals and other key personnel would be required to pay could materially increase. See "-Risks Related to Taxation."

Most recently, members of Congress and the Trump administration have raised reform proposals that would dramatically change the U.S. federal tax system. These proposals would meaningfully reduce individual and corporate tax rates and under one or more of those proposals, would convert the federal income tax system into a "destination-based cash flow" tax system, under which, net interest expense would not be deductible, investment in tangible property and intangible assets (other than land) would be immediately deductible, export revenue would not be taxable, and the cost of imports would not be deductible. We cannot predict whether and to what extent these proposals, or any other legislative or administrative changes, if and when enacted, could affect the value of any investments made by us (including by adversely affecting the portfolio companies of the funds we manage), and the tax consequences to us and our unitholders; however, such consequences would likely be significant.

Congress, Her Majesty's Treasury ("HM Treasury"), the Organization for Economic Co-operation and Development (the "OECD") and other government agencies in jurisdictions where we and our affiliates invest or do business have maintained a focus on issues related to the taxation of businesses, including multinational entities. The OECD, which represents a coalition of member countries, has issued guidance through its Base Erosion and Profit Shifting ("BEPS") project that contemplates changes to long standing international tax norms that determine each country's jurisdiction to tax cross-border trade and profits. On June 29, 2016, the Treasury Department and the Internal Revenue Service (the "IRS") issued final regulations that would require the parent entity of certain U.S. multinational enterprise groups to file an annual report that would provide information on a country-by-country basis related to the group's income and taxes paid. These changes in law or guidance and additional proposals for reform, if enacted by the United States or by other countries in which we or our affiliates invest or do business, or, even if not enacted, could adversely affect our investment returns, including by increasing our tax compliance costs. Whether these or other proposals will be enacted by the United States or any foreign jurisdiction and in what form is unknown, as are the ultimate consequences of any such proposed legislation. See "-Risks Related to Taxation."

Our business depends in large part on our ability to raise capital from investors. If we were unable to raise such capital, we would be unable to collect management fees or deploy such capital into investments, which would materially reduce our revenues and cash flow and adversely affect our financial condition.

Our ability to raise capital from investors depends on a number of factors, including many that are outside our control. Investors may downsize their investment allocations to alternative asset managers, including private funds and hedge funds, to rebalance a disproportionate weighting of their overall investment portfolio among asset classes. Poor performance of our funds, or regulatory or tax constraints, could also make it more difficult for us to raise new capital. Our investors and potential investors continually assess our funds' performance independently and relative to market benchmarks and our competitors, which affects our ability to raise capital for existing and future funds. If economic and market conditions deteriorate, we may be unable to raise sufficient amounts of capital to support the investment activities of future funds. If we were unable to successfully raise capital, our revenue and cash flow would be reduced, and our financial condition would be adversely affected. Furthermore, while our senior professional owners have committed substantial capital to our funds, commitments from new investors may depend on the commitments made by our senior professional owners to new funds and there can be no assurance that there will be further commitments to our funds, and any future investments by them in our funds or other alternative investment categories will likely depend on the performance of our funds, the performance of their overall investment portfolios and other investment opportunities available to them.

We depend on the Holdco Members, senior professionals and other key personnel, and our ability to retain them and attract additional qualified personnel is critical to our success and our growth prospects.

We depend on the diligence, skill, judgment, business contacts and personal reputations of the Holdco Members, senior professionals and other key personnel. Our future success will depend upon our ability to retain our senior professionals and other key personnel and our ability to recruit additional qualified personnel. These individuals possess substantial experience and expertise in investing, are responsible for locating and executing our funds' investments, have significant relationships with the institutions that are the source of many of our funds' investment opportunities and, in certain cases, have strong relationships with our investors. Therefore, if any of our senior professionals or other key personnel join competitors or form competing companies, it could result in the loss of significant investment opportunities, limit our ability to raise capital from certain existing investors or result in the loss of certain existing investors.

The departure or bad acts for any reason of any of our senior professionals, or a significant number of our other investment professionals, could have a material adverse effect on our ability to achieve our investment objectives, cause certain of our investors to withdraw capital they invest with us or elect not to commit additional capital to our funds or otherwise have a material adverse effect on our business and our prospects. The departure of some or all of those individuals could also trigger certain "key person" provisions in the documentation governing certain of our funds, which would permit the investors in those funds to suspend or terminate such funds' investment periods or, in the case of certain funds, permit investors to withdraw their capital prior to expiration of the applicable lock-up date. We do not carry any "key person" insurance that would provide us with proceeds in the event of the death or disability of any of our senior professionals, and we do not have a policy that prohibits our senior professionals from traveling together. See "-Employee misconduct could harm us by impairing our ability to attract and retain investors and subjecting us to significant legal liability, regulatory scrutiny and reputational harm."

We anticipate that it will be necessary for us to add investment professionals both to grow our businesses and to replace those who depart. However, the market for qualified investment professionals is extremely competitive, both in the United States and internationally, and we may not succeed in recruiting additional personnel or we may fail to effectively replace current personnel who depart with qualified or effective successors. Our efforts to retain and attract investment professionals may also result in significant additional expenses, which could adversely affect our profitability or result in an increase in the portion of our performance fees that we grant to our investment professionals. In the year ended December 31, 2016, we incurred equity compensation expenses of $39.1 million and we expect these costs to continue to increase in the future as we increase the use of equity compensation awards to attract, retain and compensate employees.

Our failure to appropriately address conflicts of interest could damage our reputation and adversely affect our businesses.

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our funds' investment activities. Certain of our funds may have overlapping investment objectives, including funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among those funds. For example, a decision to receive material non-public information about a company while pursuing an investment opportunity for a particular fund may give rise to a potential conflict of interest when it results in our having to restrict the ability of other funds to trade in the securities of such company. We may also cause different Private Equity funds to invest in a single portfolio company, for example where the fund that made an initial investment no longer has capital available to invest. We may also cause different funds that we advise to purchase different classes of securities in the same portfolio company. For example, in the normal course of business our Credit Group funds acquire debt positions in companies in which our Private Equity funds own common equity securities. A direct conflict of interest could arise between the debt holders and the equity holders if such a company were to develop insolvency concerns. In addition, our Credit Group funds could be restricted from selling their positions in such companies for extended periods because investment professionals in the Private Equity Group sit on the boards of such companies. Certain funds in different groups may invest alongside each other in the same security. The different investment objectives or fund terms of such funds may result in a potential conflict of interest. In addition, conflicts of interest may exist in the valuation of our investments and regarding decisions about the allocation of specific investment opportunities among us and our funds and the allocation of fees and costs among us, our funds and their portfolio companies. Though we believe we have appropriate means and oversight to resolve these conflicts, our judgment on any particular allocation could be challenged. While we have developed general guidelines regarding when two or more funds can invest in different parts of the same company's capital structure and created a process that we employ to handle such conflicts if they arise, our decision to permit the investments to occur in the first instance or our judgment on how to minimize the conflict could be challenged. If we fail to appropriately address any such conflicts, it could negatively impact our reputation and ability to raise additional funds and the willingness of counterparties to do business with us or result in potential litigation against us.

The investment management business is intensely competitive.

The investment management business is intensely competitive, with competition based on a variety of factors, including investment performance, business relationships, quality of service provided to investors, investor liquidity and willingness to invest, fund terms (including fees), brand recognition and business reputation. We compete with a number of private equity funds, specialized funds, hedge funds, corporate buyers, traditional asset managers, real estate development companies, commercial banks, investment banks, other investment managers and other financial institutions, as well as sovereign wealth funds. Numerous factors increase our competitive risks, including:

- a number of our competitors in some of our businesses have greater financial, technical, marketing and other resources and more personnel than we do;
- some of our funds may not perform as well as competitors' funds or other available investment products;
- several of our competitors have raised significant amounts of capital, and many of them have similar investment objectives to ours, which may create additional competition for investment opportunities;
- some of our competitors may have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to our funds, particularly our funds that directly use leverage or rely on debt financing of their portfolio investments to generate superior investment returns;
- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds than us, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make;
- some of our competitors may be subject to less regulation and, accordingly, may have more flexibility to undertake and execute certain businesses or investments than we do and/or bear less compliance expense than we do;
- some of our competitors may have more flexibility than us in raising certain types of funds under the investment management contracts they have negotiated with their investors;
- some of our competitors may have better expertise or be regarded by investors as having better expertise in a specific asset class or geographic region than we do;
- our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment; and
- other industry participants may, from time to time, seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment valuations, structures and terms offered by our competitors. Alternatively, we may experience decreased profitability, rates of return and increased risks of loss if we match investment valuations, structures and terms offered by our competitors. Moreover, if we are forced to compete with other investment managers on the basis of price when fundraising, we may not be able to maintain our current fund fee and carried interest terms. We have historically competed primarily on the performance of our funds and not on the level of our fees or carried interest relative to those of our competitors. However, there is a risk that fees and carried interest in the investment management industry will decline, without regard to the historical performance of a manager. Fee or carried interest reductions on existing or future funds, without corresponding decreases in our cost structure, would adversely affect our revenues and profitability.

In addition, the attractiveness of investments in our funds relative to other investment products could decrease depending on economic conditions. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future funds, either of which would adversely impact our businesses, revenues, results of operations and cash flow.

Lastly, institutional and individual investors are allocating increasing amounts of capital to alternative investment strategies. Several large institutional investors have announced a desire to consolidate their investments in a more limited number of managers. We expect that this will cause competition in our industry to intensify and could lead to a reduction in the size and duration of pricing inefficiencies that many of our funds seek to exploit.

Poor performance of our funds would cause a decline in our revenue and results of operations, may obligate us to repay performance fees previously paid to us and could adversely affect our ability to raise capital for future funds.

We derive revenues primarily from:

- management fees, which are based generally on the amount of capital committed to or invested by our funds;
- performance fees, which are based on the performance of our funds; and
- returns on investments of our own capital in the funds we sponsor and manage.

When any of our funds perform poorly, either by incurring losses or underperforming benchmarks, as compared to our competitors or otherwise, our investment record suffers. As a result, our performance fees may be adversely affected and, all else being equal, the value of our assets under management could decrease, which may, in turn, reduce our management fees. Moreover, we may experience losses on investments of our own capital in our funds as a result of poor investment performance. If a fund performs poorly, we will receive little or no performance fees with regard to the fund and little income or possibly losses from our own principal investment in such fund. Furthermore, if, as a result of poor performance or otherwise, a fund does not achieve total investment returns that exceed a specified investment return threshold over the life of the fund or other measurement period, we may be obligated to repay the amount by which performance fees that were previously distributed or paid to us exceeds amounts to which we were entitled. Poor performance of our funds could also make it more difficult for us to raise new capital. Investors in our closed-end funds may decline to invest in future closed-end funds we raise as a result of poor performance. Poor performance of our publicly traded funds may result in stockholders selling their stock, thereby causing a decline in the stock price and limiting our ability to access capital. A failure to grow the assets of such funds will limit our ability to earn additional management fees and performance fees, and will ultimately affect our operating results. Our fund investors and potential fund investors continually assess our funds' performance independently and relative to market benchmarks and our competitors, and our ability to raise capital for existing and future funds and avoid excessive redemption levels depends on our funds' performance. Accordingly, poor fund performance may deter future investment in our funds and thereby decrease the capital invested in our funds and, ultimately, our management fee income. Alternatively, in the face of poor fund performance, investors could demand lower fees or fee concessions for existing or future funds which would likewise decrease our revenue.

ARCC's management fee comprises a significant portion of our management fees and a reduction in fees from ARCC could have an adverse effect on our revenues and results of operations .

The management fees we receive from ARCC (including fees attributable to ARCC Part I Fees) comprise a significant percentage of our management fees. This percentage has increased as a result of ARCC's acquisition of ACAS, which closed on January 3, 2017. The investment advisory agreement we have with ARCC categorizes the fees we receive as: (a) base management fees, which are paid quarterly and generally increase or decrease based on ARCC's total assets, (b) fees based on ARCC 's net investment income (before ARCC Part I Fees and ARCC Part II Fees), which are paid quarterly ("ARCC Part I Fees") and (c) fees based on ARCC's net capital gains, which are paid annually ("ARCC Part II Fees"). We classify the ARCC Part I Fees as management fees because they are paid quarterly, are predictable and recurring in nature, are not subject to repayment (or contingent repayment obligations) and are generally expected to be cash-settled each quarter. If ARCC's total assets or its net investment income were to decline significantly for any reason, including, without limitation, due to mark-to-market accounting requirements, the poor performance of its investments or the failure to successfully access or invest capital, the amount of the fees we receive from ARCC, including the base management fee and the ARCC Part I Fees, would also decline significantly and/or may be subject to deferral, which could have an adverse effect on our revenues and results of operations. In addition, because the ARCC Part II Fees are not paid unless ARCC achieves cumulative realized capital gains (net of realized capital losses and unrealized capital depreciation), ARCC's Part II Fees payable to us are variable and not predictable.

Our investment advisory and management agreement with ARCC renews for successive annual periods subject to the approval of ARCC's board of directors or by the affirmative vote of the holders of a majority of ARCC's outstanding voting securities. In addition, as required by the Investment Company Act, both ARCC and its investment adviser have the right to terminate the agreement without penalty upon 60 days' written notice to the other party. Termination or non-renewal of this agreement would reduce our revenues significantly and could have a material adverse effect on our financial condition.

We may not be able to maintain our current fee structure as a result of industry pressure from fund investors to reduce fees, which could have an adverse effect on our profit margins and results of operations.

We may not be able to maintain our current fee structure as a result of industry pressure from fund investors to reduce fees. Although our investment management fees vary among and within asset classes, historically we have competed primarily on the basis of our performance and not on the level of our investment management fees relative to those of our competitors. In recent years, however, there has been a general trend toward lower fees in the investment management industry. In September 2009, the Institutional Limited Partners Association ("ILPA") published a set of Private Equity Principles (the "Principles") which were revised in January 2011. The Principles were developed to encourage discussion between limited partners and general partners regarding private equity fund partnership terms. Certain of the Principles call for enhanced "alignment of interests" between general partners and limited partners through modifications of some of the terms of fund arrangements, including proposed guidelines for fees and performance income structures. We promptly provided ILPA with our endorsement of the Principles, representing an indication of our general support for the efforts of ILPA. Although we have no obligation to modify any of our fees with respect to our existing funds, we may experience pressure to do so in our future funds. More recently, institutional investors have been increasing pressure to reduce management and investment fees charged by external managers, whether through direct reductions, deferrals, rebates or other means. We may not be successful in providing investment returns and service that will allow us to maintain our current fee structure. Fee reductions on existing or future new businesses could have an adverse effect on our profit margins and results of operations. For more information about our fees see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Investors in our funds may be unwilling to commit new capital to our funds because we are a public company, which could have a material adverse effect on our business and financial condition.

Some investors in our funds may have concerns that as a public company our attention is bifurcated between investors in our funds and the public unitholders, resulting in potential conflicts of interest. Some investors in our funds may believe that as a public company we strive for near-term profit instead of superior risk-adjusted returns for investors in our funds over time or grow our assets under management for the purpose of generating additional management fees without regard to whether we believe there are sufficient investment opportunities to effectively deploy the additional capital. There can be no assurance that we will be successful in our efforts to address such concerns or to convince investors in our funds that our status as a public company does not and will not affect our longstanding priorities or the way we conduct our businesses. A decision by a significant number of investors in our funds not to commit additional capital to our funds or to cease doing business with us altogether could inhibit our ability to achieve our investment objectives and may have a material adverse effect on our business and financial condition.

Rapid growth of our businesses, particularly outside the United States, may be difficult to sustain and may place significant demands on our administrative, operational and financial resources.

Our assets under management have grown significantly in the past, and we are pursuing further growth in the near future, both organic and through acquisitions. Our rapid growth has placed, and planned growth, if successful, will continue to place, significant demands on our legal, accounting and operational infrastructure, and has increased expenses. The complexity of these demands, and the expense required to address them, is a function not simply of the amount by which our assets under management has grown, but of the growth in the variety and complexity of, as well as the differences in strategy between, our different funds. In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the investment management market and legal, accounting, regulatory and tax developments.

Our future growth will depend in part on our ability to maintain an operating platform and management system sufficient to address our growth and will require us to incur significant additional expenses and to commit additional senior management and operational resources. As a result, we face significant challenges:

- in maintaining adequate financial, regulatory (legal, tax and compliance) and business controls;
- in providing current and future investors with accurate and consistent reporting;
- in implementing new or updated information and financial systems and procedures; and
- in training, managing and appropriately sizing our work force and other components of our businesses on a timely and cost-effective basis.

We may not be able to manage our expanding operations effectively or be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

In addition, pursuing investment opportunities outside the United States presents challenges not faced by U.S. investments, such as different legal and tax regimes and currency fluctuations, which require additional resources to address. To accommodate the needs of global investors and strategies we must structure investment products in a manner that addresses tax, regulatory and legislative provisions in different, and sometimes multiple, jurisdictions. Further, in conducting business in foreign jurisdictions, we are often faced with the challenge of ensuring that our activities are consistent with U.S. or other laws with extraterritorial application, such as the USA PATRIOT Act and the U.S. Foreign Corrupt Practices Act (the "FCPA"). Moreover, actively pursuing international investment opportunities may require that we increase the size or number of our international offices. Pursuing non-U.S. fund investors means that we must comply with international laws governing the sale of interests in our funds, different investor reporting and information processes and other requirements. As a result, we are required to continuously develop our systems and infrastructure, including employing and contracting with foreign businesses and entities, in response to the increasing complexity and sophistication of the investment management market and legal, accounting and regulatory situations. This growth has required, and will continue to require, us to incur significant additional expenses and to commit additional senior management and operational resources. There can be no assurance that we will be able to manage or maintain appropriate oversight over our expanding international operations effectively or that we will be able to continue to grow this part of our businesses, and any failure to do so could adversely affect our ability to generate revenues and control our expenses.

We may enter into new lines of business and expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

We intend, if market conditions warrant, to grow our businesses by increasing assets under management in existing businesses and expanding into new investment strategies, geographic markets and businesses. Our partnership agreement permits us to enter into new lines of business, make strategic investments or acquisitions and enter into joint ventures. Accordingly, we may pursue growth through acquisitions of other investment management companies, acquisitions of critical business partners or other strategic initiatives, which may include entering into new lines of business. In addition, consistent with our past experience, we expect opportunities will arise to acquire other alternative or traditional asset managers.

Attempts to expand our businesses involve a number of special risks, including some or all of the following:

- the required investment of capital and other resources;
- the diversion of management's attention from our core businesses;
- the assumption of liabilities in any acquired business;
- the disruption of our ongoing businesses;
- entry into markets or lines of business in which we may have limited or no experience;
- increasing demands on our operational and management systems and controls;
- compliance with additional regulatory requirements;
- potential increase in investor concentration; and
- the broadening of our geographic footprint, increasing the risks associated with conducting operations in certain foreign jurisdictions where we currently have no presence.

Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business does not generate sufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives may include joint ventures, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to systems, controls and personnel that are not under our control. Because we have not yet identified these potential new investment strategies, geographic markets or lines of business, we cannot identify all of the specific risks we may face and the potential adverse consequences on us and their investment that may result from any attempted expansion.

If we are unable to consummate or successfully integrate development opportunities, acquisitions or joint ventures, we may not be able to implement our growth strategy successfully.

Our growth strategy is based, in part, on the selective development or acquisition of asset management businesses, advisory businesses or other businesses complementary to our business where we think we can add substantial value or generate substantial returns. The success of this strategy will depend on, among other things: (a) the availability of suitable opportunities, (b) the level of competition from other companies that may have greater financial resources, (c) our ability to value potential development or acquisition opportunities accurately and negotiate acceptable terms for those opportunities, (d) our ability to obtain requisite approvals and licenses from the relevant governmental authorities and to comply with applicable laws and regulations without incurring undue costs and delays, (e) our ability to identify and enter into mutually beneficial relationships with venture partners, (f) our ability to properly manage conflicts of interest and (g) our ability to integrate personnel at acquired businesses into our operations and culture.

This strategy also contemplates the use of our publicly traded common units as acquisition consideration. Volatility or declines in the trading price of our common units may make our common units less attractive to acquisition targets. Moreover, even if we are able to identify and successfully complete an acquisition, we may encounter unexpected difficulties or incur unexpected costs associated with integrating and overseeing the operations of the new businesses. If we are not successful in implementing our growth strategy, our business, financial results and the market price for our common units may be adversely affected.

Extensive regulation in the United States affects our activities, increases the cost of doing business and creates the potential for significant liabilities and penalties that could adversely affect our businesses and results of operations.

Our businesses are subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations in the jurisdictions in which we operate. The SEC oversees the activities of our subsidiaries that are registered investment advisers under the Investment Advisers Act of 1940 (the "Investment Advisers Act"). Since the first quarter of 2014, FINRA as well as the SEC has overseen the activities of our wholly owned subsidiary AIS as a registered broker-dealer. We are subject to audits by the Defense Security Service to determine whether we are under foreign ownership, control or influence. In addition, we regularly rely on exemptions from various requirements of the Securities Act, the Exchange Act, the Investment Company Act, the Commodity Exchange Act and the U.S. Employee Retirement Income Security Act of 1974 ("ERISA"). These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties who we do not control. If for any reason these exemptions were to be revoked or challenged or otherwise become unavailable to us, we could be subject to regulatory action or third-party claims, which could have a material adverse effect on our businesses. For example, in 2013 the SEC amended Rule 506 of Regulation D under the Securities Act to impose "bad actor" disqualification provisions that ban an issuer from offering or selling securities pursuant to the safe harbor in Rule 506 if the issuer, or any other "covered person," is the subject of a criminal, regulatory or court order or other "disqualifying event" under the rule which has not been waived by the SEC. The definition of a "covered person" under the rule includes an issuer's directors, general partners, managing members and executive officers and promoters and persons compensated for soliciting investors in the offering. Accordingly, our ability to rely on Rule 506 to offer or sell securities would be impaired if we or any "covered person" is the subject of a disqualifying event under the rule and we are unable to obtain a waiver.

The SEC has indicated that investment advisors who receive transaction-based compensation for investment banking or acquisition activities relating to fund portfolio companies may be required to register as broker-dealers. Specifically, the SEC staff has noted that if a firm receives fees from a fund portfolio company in connection with the acquisition, disposition or recapitalization of such portfolio company, such activities could raise broker-dealer concerns under applicable regulations related to broker dealers. If we receive such transaction fees and the SEC takes the position that such activities render us a "broker" under the applicable rules and regulations of the Exchange Act, we could be subject to additional regulation. If receipt of transaction fees from a portfolio company is determined to require a broker-dealer license, receipt of such transaction fees in the past or in the future during any time when we did not or do not have a broker-dealer license could subject us to liability for fines, penalties or damages.

Since 2010, states and other regulatory authorities have begun to require investment managers to register as lobbyists. We have registered as such in a number of jurisdictions, including California, Illinois, New York, Pennsylvania and Kentucky. Other states or municipalities may consider similar legislation or adopt regulations or procedures with similar effect. These registration requirements impose significant compliance obligations on registered lobbyists and their employers, which may include annual registration fees, periodic disclosure reports and internal recordkeeping, and may also prohibit the payment of contingent fees.

Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. A failure to comply with the obligations imposed by the Investment Advisers Act, including recordkeeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities, could result in investigations, sanctions and reputational damage. We are involved regularly in trading activities that implicate a broad number of U.S. and foreign securities and tax law regimes, including laws governing trading on inside information, market manipulation and a broad number of technical trading requirements that implicate fundamental market regulation policies. Violation of these laws could result in severe restrictions on our activities and damage to our reputation.

Compliance with existing and new regulations subjects us to significant costs. Moreover, our failure to comply with applicable laws or regulations, including labor and employment laws, could result in fines, censure, suspensions of personnel or other sanctions, including revocation of the registration of our relevant subsidiaries as investment advisers or registered broker-dealers. The regulations to which our businesses are subject are designed primarily to protect investors in our funds and to ensure the integrity of the financial markets. They are not designed to protect our unitholders. Even if a sanction is imposed against us, one of our subsidiaries or our personnel by a regulator for a small monetary amount, the costs incurred in responding to such matters could be material, the adverse publicity related to the sanction could harm our reputation, which in turn could have a material adverse effect on our businesses in a number of ways, making it harder for us to raise new funds and discouraging others from doing business with us.

In the past several years, the financial services industry, and private equity in particular, has been the subject of heightened scrutiny by regulators around the globe. In particular, the SEC and its staff have focused more narrowly on issues relevant to alternative asset management firms, including by forming specialized units devoted to examining such firms and, in certain cases, bringing enforcement actions against the firms, their principals and employees. In recent periods there have been a number of enforcement actions within the industry, and it is expected that the SEC will continue to pursue enforcement actions against private fund managers. This increased enforcement activity may cause us to reevaluate certain practices and adjust our compliance control function as necessary and appropriate.

While the SEC's recent list of examination priorities includes such items as cyber security compliance and controls and conducting risk-based examinations of never-before-examined investment advisory firms, it is generally expected that the SEC's oversight of alternative asset managers will continue to focus substantially on concerns related to transparency and investor disclosure practices. Although the SEC has cited improvements in disclosures and industry practices in this area, it has also indicated that there is room for improvement in particular areas, including fees and expenses (and the allocation of such fees and expenses) and co-investment practices. To this end, many firms have received inquiries during examinations or directly from the SEC's Division of Enforcement regarding various transparency-related topics, including the acceleration of monitoring fees, the allocation of broken-deal expenses, the disclosure of operating partner or operating executive compensation, outside business activities of firm principals and employees, group purchasing arrangements and general conflicts of interest disclosures. In addition, our Private Equity funds have engaged in the past and may engage from time to time advisors who often work with our investment teams during due diligence, provide board-level governance and support and advise portfolio company leadership. Advisors generally are third parties and typically retained by us pursuant to consulting agreements. In some cases, an operating executive may be retained by a portfolio company directly and in such instances the portfolio company may compensate the operating executive directly (meaning that investors in our Private Equity funds may indirectly bear the operating executive's compensation). While we believe we have made appropriate and timely disclosures regarding the engagement and compensation of these advisors, the SEC staff may disagree.

Regulations governing ARCC's operation as a business development company affect its ability to raise, and the way in which it raises, additional capital.

As a business development company, ARCC operates as a highly regulated business within the provisions of the Investment Company Act. Many of the regulations governing business development companies have not been modernized within recent securities laws amendments and restrict, among other things, leverage incurrence, co-investments and other transactions with other entities within the Ares Operating Group. Certain of our funds may be restricted from engaging in transactions with ARCC and its subsidiaries.

As a business development company registered under the Investment Company Act, ARCC may issue debt securities or preferred stock and borrow money from banks or other financial institutions, which we refer to collectively as "senior securities," up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, ARCC is permitted, as a business development company, to incur indebtedness or issue senior securities only in amounts such that its asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% after each such incurrence or issuance. If the value of its assets declines, it may be unable to satisfy this test. If that happens, it may be required to sell a portion of its investments and, depending on the nature of its leverage, repay a portion of its indebtedness at a time when such sales may be disadvantageous. Business development companies may issue and sell common stock at a price below net asset value per share only in limited circumstances, one of which is during an approximately one-year period after obtaining stockholder approval for such issuance in accordance with the Investment Company Act. ARCC's stockholders have, in the past, approved such issuances so that during the subsequent 12-month period, ARCC may, in one or more public or private offerings of its common stock, sell or otherwise issue shares of its common stock at a price below the then-current net asset value per share, subject to certain conditions including parameters on the level of permissible dilution, approval of the sale by a majority of its independent directors and a requirement that the sale price be not less than approximately the market price of the shares of its common stock at specified times, less the expenses of the sale. ARCC may ask its stockholders for additional approvals from year to year. There can be no assurance that such approvals will be obtained.

Our publicly traded investment vehicles are subject to regulatory complexities that limit the way in which they do business and may subject them to a higher level of regulatory scrutiny.

Our publicly traded investment vehicles operate under a complex regulatory environment. Such companies require the application of complex tax and securities regulations and may entail a higher level of regulatory scrutiny. In addition, regulations affecting our publicly traded investment vehicles generally affect their ability to take certain actions. For example, certain of our publicly traded vehicles have elected to be treated as a REIT or RIC for U.S. federal income tax purposes. To maintain their status as a RIC or a REIT, such vehicles must meet, among other things, certain source of income, asset diversification and annual distribution requirements. ARCC and our publicly traded closed-end fund are subject to complex rules under the Investment Company Act, including rules that restrict certain of our funds from engaging in transactions with ARCC or the closed-end fund. ARCC is required to generally distribute to its stockholders at least 90% of its investment company taxable income to maintain its RIC status and, subject to certain exceptions, ARCC is generally prohibited from issuing and selling its common stock at a price below net asset value per share and from incurring indebtedness (including for this purpose, preferred stock), if ARCC's asset coverage, as calculated pursuant to the Investment Company Act, equals less than 200% after such incurrence.

Failure to comply with "pay to play" regulations implemented by the SEC and certain states, and changes to the "pay to play" regulatory regimes, could adversely affect our businesses.

In recent years, the SEC and several states have initiated investigations alleging that certain private equity firms and hedge funds or agents acting on their behalf have paid money to current or former government officials or their associates in exchange for improperly soliciting contracts with state pension funds. In June 2010, the SEC approved Rule 206(4)-5 under the Investment Advisers Act regarding "pay to play" practices by investment advisers involving campaign contributions and other payments to government officials able to exert influence on potential government entity clients. Among other restrictions, the rule prohibits investment advisers from providing advisory services for compensation to a government entity for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in a position to influence the hiring of an investment adviser by such government entity. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser's employees and engagements of third parties that solicit government entities and to keep certain records to enable the SEC to determine compliance with the rule. In addition, there have been similar rules on a state level regarding "pay to play" practices by investment advisers.

Similar rule-making and investigations have also occurred in New York. In March 2007, the Office of the Attorney General of the State of New York (the "NY Attorney General") commenced an industry-wide investigation into pay to play allegations and undisclosed conflicts of interest at public pension funds, including the New York State Common Retirement Fund. As a consequence of the NY Attorney General's investigation, the NY Attorney General adopted a Public Pension Fund Reform Code of Conduct (the "Reform Code of Conduct") for U.S. public pension funds. This Reform Code of Conduct, among other things, restricts the use of third-party intermediaries and placement agents with respect to the solicitation of funds from U.S. public pension funds. In 2010, we agreed to adopt the Reform Code of Conduct, acknowledging that the Reform Code of Conduct would enhance transparency in fundraising activities before public pension funds on a national basis. As a signatory to the Reform Code of Conduct, we may be at a disadvantage to other fund sponsors that are not similarly restricted from engaging third-party solicitors, notwithstanding that many states and public pension funds have adopted similar restrictions. FINRA also recently proposed its own set of "pay to play" regulations that are similar to the SEC's regulations.

As we have a significant number of public pension plans that are investors in our funds, these rules could impose significant economic sanctions on our businesses if we or one of the other persons covered by the rules make any such contribution or payment, whether or not material or with an intent to secure an investment from a public pension plan. We may also acquire other investment managers who are not subject to the same restrictions as us, but whose activity, and the activity of their principals, prior to our ownership could affect our fundraising. In addition, such investigations may require the attention of senior management and may result in fines if any of our funds are deemed to have violated any regulations, thereby imposing additional expenses on us. Any failure on our part to comply with these rules could cause us to lose compensation for our advisory services or expose us to significant penalties and reputational damage.

The short-term and long-term impact of the new Basel III capital standards is uncertain.

In June 2011, the Basel Committee on Banking Supervision, an international trade body comprised of senior representatives of bank supervisory authorities and central banks from 27 countries, including the United States and the EU, announced the final framework for a comprehensive set of capital and liquidity standards, commonly referred to as "Basel III," for internationally active banking organizations and certain other types of financial institutions. These new standards, which will be fully phased in by 2019, will require banks to hold more capital, predominantly in the form of common equity, than under the current capital framework. Implementation of Basel III will require implementing regulations and guidelines by member countries. In July 2013, the U.S. federal banking regulators announced the adoption of final regulations to implement Basel III for U.S. banking organizations, subject to various transition periods. The EU implemented Basel III in June 2013. In April 2014, U.S. regulators adopted rules requiring enhanced supplementary leverage ratio standards beginning in January 2018, which would impose capital requirements more stringent than those of the Basel III standards for the most systematically significant banking organizations in the United States. In January 2016, the Basel Committee published its revised capital requirements for market risk, known as Fundamental Review of the Trading Book (“FRTB”), which are expected to generally result in higher global capital requirements for banks that could, in turn, reduce liquidity and increase financing and hedging costs. The impact of FRTB will not be known until after any resulting rules are finalized by the U.S. federal bank regulatory agencies. Compliance with the Basel III standards, the supplemental regulatory standards adopted by U.S. regulators and FRTB may result in significant costs to banking organizations, which in turn may result in higher borrowing costs for the private sector and reduced access to certain types of credit.

Regulatory changes and other developments in the United States and regulatory compliance failures could adversely affect our reputation, businesses and operations.

In July 2010, the Dodd-Frank Act. The Dodd-Frank Act was signed into law and has imposed significant regulations on nearly every aspect of the U.S. financial services industry. The Dodd-Frank Act established a ten voting-member Financial Stability Oversight Council (the “Council”), an interagency body chaired by the Secretary of the Treasury, to identify and manage systemic risk in the financial system and improve interagency cooperation. Under the Dodd-Frank Act, the Council has the authority to review the activities of certain nonbank financial firms engaged in financial activities that are designated as “systemically important,” meaning, among other things, evaluating the impact of the distress of the financial firm on the stability of the U.S. economy. If we were designated as such, it would result in increased regulation of our businesses, including the imposition of capital, leverage, liquidity and risk management standards, credit exposure reporting and concentration limits, restrictions on acquisitions and annual stress tests by the Federal Reserve.

In October 2011, the Federal Reserve and other federal regulatory agencies issued a proposed rule implementing a section of the Dodd-Frank Act that has become known as the “Volcker Rule.” In December 2013, the Federal Reserve and other federal regulatory agencies adopted a final rule implementing the Volcker Rule. The Volcker Rule generally prohibits insured banks or thrifts, any bank holding company or savings and loan holding company, any non-U.S. bank with a U.S. branch, agency or commercial lending company and any subsidiaries and affiliates of such entities, regardless of geographic location, from investing in or sponsoring “covered funds,” which include private equity funds or hedge funds and certain other proprietary activities. The effects of the Volcker Rule are uncertain but it is in any event likely to curtail various banking activities that in turn could result in uncertainties in the financial markets as well as our business. The final Volcker Rule became effective on April 1, 2014 and is subject to a conformance period (ending July 21, 2017). It contains exemptions for certain “permitted activities” that would enable certain institutions subject to the Volcker Rule to continue investing in covered funds under certain conditions. Although we do not currently anticipate that the Volcker Rule will adversely affect our fundraising to any significant extent, there is uncertainty regarding the implementation of the Volcker Rule and its practical implications, and there could be adverse implications on our ability to raise funds from the types of entities mentioned above as a result of this prohibition.

Pursuant to the Dodd-Frank Act, regulation of the U.S. derivatives market is bifurcated between the CFTC and the SEC. Under the Dodd-Frank Act, the CFTC has jurisdiction over swaps and the SEC has jurisdiction over security-based swaps. As part of its Dodd-Frank Act related rule-making process, the CFTC made changes to its rules with respect to the registration and oversight of CPOs. As a result of the CFTC’s revisions to these rules, all swaps (other than security-based swaps) are now included in the definition of commodity interests. As a result, funds that utilize swaps (whether or not related to a physical commodity) as part of their business model may fall within the statutory definition of a commodity pool. If a fund qualifies as a commodity pool, then, absent an available exemption, the operator of such fund is required to register with the CFTC as a CPO. Registration with the CFTC renders such CPO subject to regulation, including with respect to disclosure, reporting, recordkeeping and business conduct, which could significantly increase operating costs by requiring additional resources.

The Dodd-Frank Act requires the CFTC, the SEC and other regulatory authorities to promulgate certain rules relating to the regulation of the derivatives market. Such rules require or will require the registration of certain market participants, the clearing of certain derivatives contracts through central counterparties, the execution of certain derivatives contracts on electronic platforms, as well as reporting and recordkeeping of derivatives transactions. The Dodd-Frank Act also provides expanded enforcement authority to the CFTC and SEC. While certain rules have been promulgated and are already in effect, the rulemaking and implementation process is still ongoing. In particular, the CFTC has finalized most of its rules under the Dodd-Frank Act, and the SEC has proposed a number of rules regarding security-based swaps but has only finalized some of these rules. We cannot therefore yet predict the ultimate effect of the rules and regulations on our business.

Under CFTC and SEC rules, an entity may be required to register as a MSP or MSBSP if it has substantial swaps or security-based swaps positions or has substantial counterparty exposure from its swaps or security-based swaps positions. If any of our funds were required to register as an MSP or MSBSP, it could make compliance more expensive, affect the manner in which we conduct our businesses and adversely affect our profitability. Additionally, if any of our funds qualify as "special entities" under CFTC rules, it could make it more difficult for them to enter into derivatives transactions or make such transactions more expensive.

Pursuant to rules finalized by the CFTC in December 2012 and September 2016, certain classes of interest rate swaps and certain classes of credit default swaps are subject to mandatory clearing, unless an exemption applies. Many of these swaps are also subject to mandatory trading on designated contract markets or swap execution facilities. At this time, the CFTC has not proposed any rules designating other classes of swaps for mandatory clearing, but it may do so in the future. Mandatory clearing and trade execution requirements may change the cost and availability of the swaps that we use, and exposes our funds to the credit risk of the clearing house through which any cleared swap is cleared. In addition, federal bank regulatory authorities and the CFTC have adopted initial and variation margin requirements for swap dealers, security-based swap dealers and swap entities, including permissible forms of margin, custodial arrangements and documentation requirements for uncleared swaps and security-based swaps. As a result, swap entities will be required to collect margin for transactions and positions in uncleared swaps and security-based swaps by financial end users. The new rules will become effective for end users on March 1, 2017. On February 13, 2017, the CFTC's Division of Swap Dealer and Intermediary Oversight announced a grace period until September 1, 2017, to comply with the variation margin requirements for swaps that are subject to a March 1, 2017 compliance date. The effect of the regulations on us is not fully known at this time. However, these rules may increase the cost of our activity in uncleared swaps and security-based swaps to the extent we are determined to be a financial end user.

In December 2016, the CFTC reproposed rules that would set federal position limits for certain referenced contracts, and issued final rules on aggregation among entities under common ownership or control, for position limits on certain futures and options contracts that would apply to the proposed position limits on referenced contracts. It is possible that the CFTC could propose to expand such requirements to other types of contracts in the future. If any when enacted, the proposal could affect our ability and the ability for our funds to enter into derivatives transactions.

The CFTC has finalized rules requiring collateral used to margin cleared swaps to be segregated in a manner different from that applicable to the futures market and has finalized other rules allowing parties to an uncleared swap to require that any collateral posted as initial margin be segregated with a third party custodian. Collateral segregation may impose greater costs on us when entering into swaps.

Finally, the Dodd-Frank Act gave the CFTC expanded anti-fraud and anti-manipulation authority, including authority over disruptive trading practices and insider trading. Several investigations have commenced in the United States related to manipulation of the foreign exchange, LIBOR and indices markets. It is possible that new standards will emerge from these proceedings that could impact the way that we trade.

The Dodd-Frank Act authorizes federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk-taking by covered financial institutions. Federal bank regulatory authorities and the SEC have proposed a rule to implement the law that generally (1) prohibits incentive-based payment arrangements that are determined to encourage inappropriate risks by certain financial institutions by providing excessive compensation or that could lead to material financial loss and (2) requires those financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate Federal regulator. The Dodd-Frank Act also requires public companies to adopt and disclose policies requiring, in the event the company is required to issue an accounting restatement, the contingent repayment obligations of related incentive compensation from current and former executive officers. Such restrictions could limit our ability to recruit and retain investment professionals and senior management executives.

The Dodd-Frank Act amends the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower.

The SEC requires investment advisers registered or required to register with the SEC under the Investment Advisers Act that advise one or more private funds and have at least $150.0 million in private fund assets under management to periodically file reports on Form PF. We have filed, and will continue to file, quarterly reports on Form PF, which has resulted in increased administrative costs and requires a significant amount of attention and time to be spent by our personnel.

Many of these provisions are subject to further rulemaking and to the discretion of regulatory bodies, such as the Council and the Federal Reserve. On February 3, 2017, President Trump signed an executive order addressing regulation of the U.S. financial system. The order purports to give the Department of the Treasury the authority to restructure major provisions of the Dodd-Frank Act. The ultimate impact of this order and its implementation on existing and proposed regulations under the Dodd-Frank Act and other rules and regulations applicable to the U.S. financial system are uncertain; however, such impact could be material to our industry, business and operations.

It is difficult to determine the full extent of the impact on us of the Dodd-Frank Act or any other new laws, regulations or initiatives that may be proposed or whether any of the proposals will become law. In addition, as a result of proposed legislation, shifting areas of focus of regulatory enforcement bodies or otherwise, regulatory compliance practices may shift such that formerly accepted industry practices become disfavored or less common. Any changes or other developments in the regulatory framework applicable to our businesses, including the changes described above and changes to formerly accepted industry practices, may impose additional costs on us, require the attention of our senior management or result in limitations on the manner in which we conduct our businesses. Moreover, as calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our funds. In addition, we may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. Compliance with any new laws or regulations could make compliance more difficult and expensive, affect the manner in which we conduct our businesses and adversely affect our profitability.

Regulatory changes in jurisdictions outside the United States could adversely affect our businesses.

Certain of our subsidiaries operate outside the United States. In the United Kingdom, Ares Management Limited and Ares Management UK Limited are subject to regulation by the FCA. Ares European Loan Management LLP, which is not a subsidiary, but in which we are indirectly invested and which procures certain services from Ares Management Limited, is also subject to regulation by the FCA. In some circumstances, Ares Management Limited, Ares Management UK Limited, Ares European Loan Management LLP and other Ares entities are or become subject to UK or EU laws, for instance in relation to marketing our funds to investors in the EEA.

European Union legislation could impact our business in the United Kingdom and in other EEA member states where we have operations. The following measures are of particular relevance to our business.

In March 2013, the predecessor regulator to the FCA published the final rules for the FCA’s regulation and supervision of the LIBOR. In particular, the FCA’s LIBOR rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts of interest policy and appropriate systems and controls. These requirements may cause LIBOR to be more volatile than it has been in the past, which may adversely affect the value of investments made by our funds. On February 3, 2014, ICE Benchmark Administration Limited took responsibility for administering LIBOR, following regulatory authorization by the FCA.

The Benchmarks Regulation entered into force on June 30, 2016. It aims to introduce a common framework and consistent approach to benchmark regulation across the EU by regulating producers, contributors to and users of benchmarks. The Benchmarks Regulation will replace the current UK framework regulating LIBOR and other specified benchmarks, notably the EURIBOR. Certain requirements of the Benchmarks Regulation have already entered into force, but the majority will apply beginning January 1, 2018. Although there are measures in the Benchmarks Regulation which are designed to prevent certain benchmarks from being undermined by a material reduction of benchmark contributors, it is not yet clear how successful these will be. The Benchmarks Regulation may therefore lead to unpredictable developments in relation to LIBOR and certain other benchmarks, which could affect the value of investments made by our funds.

The Directive and CRD IV could restrict the ability of banks and alternative investment funds (“AIFs”) managed in the EU to invest in securitization vehicles including collateralized loan obligations operated by us unless either the “originator”, “original lender” or “sponsor” (as those terms are defined in the legislation) retains a prescribed interest in the securitization concerned. Where such securitization arrangements are managed by Ares affiliated undertakings, this risk retention requirement will, at present, need to be held by an appropriately (EU) authorized and regulated entity affiliated with us (i.e., as “sponsor”). The holding of that retention on our affiliate’s balance sheet is likely to increase that entity’s regulatory capital requirement and will accordingly adversely affect return on equity. In September 2015, the European Commission published proposals for a new securitization regulation as part of the Securitisation Regulation. The text of the Securitisation Regulation continues to be negotiated and no single compromise text yet exists. Measures likely to be included in the final text include a proposal for a new "direct approach" to securitization retention requirements for lenders, originators and sponsors, placing them under a direct obligation to hold the retention slice (rather than creating an indirect obligation through increased capital requirements for EU investors in non-compliant securitizations). There is also likely to be new investor transparency requirements which would require additional information to be disclosed to investors. Compliance with the proposed new requirements in the securitization regulation may result in us incurring material costs.

The EU Regulation on OTC derivative transactions, central counterparties and trade repositories (commonly known as EMIR) will require the mandatory clearing of certain OTC derivatives through central counterparties. Beginning June 21, 2017, this mandatory clearing obligation will begin to apply to certain Ares-affiliated undertakings that enter into an eligible derivative transaction with another financial counterparty or a non-financial counterparty whose OTC derivative exposures exceed a prescribed clearing threshold, although the implementation of this requirement may be subject to a delay. EMIR will further require certain Ares-affiliated undertakings to provide margin in respect of OTC derivative transactions that are not cleared by a central counterparty by March 1, 2017. EMIR does not have a material impact on Ares-affiliated undertakings at present, although as these implementation dates are reached the cost of complying with the requirements is likely to increase.

On January 29, 2014, the European Commission published a proposal for a new regulation dealing with structural measures to improve the resilience of EU credit institutions, known as the Banking Structural Regulation. Provisions in the proposed regulation would prohibit systemically important EU banks from acquiring, owning, sponsoring or having an exposure to an AIF, unless that AIF is unleveraged, closed-ended and either established in the EEA or, if it is not established in the EEA, marketed in the EEA. There has been considerable political disagreement in relation to the legislative proposals and the precise scope of this proposed regulation and its timescale for coming into force is currently uncertain. However, the European Parliament and European Council are aiming to seek political agreement during 2017. The final proposals, if adopted, may affect our ability to raise capital in our funds from EU banks.

On December 14, 2015, the European Banking Authority published guidelines which are relevant to, amongst other things, EU banks' exposures to shadow banking entities. These guidelines have applied since January 1, 2017. The definition of shadow banking entity is extremely wide and could potentially catch a number of different entities, including investment funds and securitization vehicles. AIFs are excluded from the definition of a shadow banking entity unless they: (1) deploy leverage within the meaning of the Directive on a substantial basis; or (2) are permitted to originate loans or purchase third party lending exposures onto their balance sheet pursuant to the relevant fund rules or constitutional documents. These guidelines may affect our ability to raise capital in certain of our funds from EU banks.

Our UK, other European and Asian operations and our investment activities worldwide are subject to a variety of regulatory regimes that vary by country. In addition, we regularly rely on exemptions from various requirements of the regulations of certain foreign countries in conducting our asset management activities.

Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. We are involved regularly in trading activities that implicate a broad number of foreign (as well as U.S.) securities law regimes, including laws governing trading on inside information and market manipulation and a broad number of technical trading requirements that implicate fundamental market regulation policies. Violation of these laws could result in severe restrictions or prohibitions on our activities and damage to our reputation, which in turn could have a material adverse effect on our businesses in a number of ways, making it harder for us to raise new funds and discouraging others from doing business with us. In addition, increasing global regulatory oversight of fundraising activities, including local registration requirements in various jurisdictions and the addition of new compliance regimes, could make it more difficult for us to raise new funds or could increase the cost of raising such funds.

Alternative Investment Fund Managers Directive

The Directive was enacted in July 2011 and took effect on July 22, 2013. The Directive applies to (1) AIFMs established in the EEA that manage EEA or non-EEA AIFs, (2) non-EEA AIFMs that manage EEA AIFs and (c) non-EEA AIFMs that market their AIFs to professional investors within the EEA.

Beginning July 22, 2013, the Directive imposed new operating requirements the categories of AIFMs listed in (1) and (2) in the paragraph above. In addition, each of the AIFMs identified in (1), (2) and (3) of the paragraph above will need to comply with the Directive’s disclosure and transparency requirements when seeking to market within the EEA and, in the case of non-EEA AIFMs seeking to market under jurisdiction specific private placement regimes, additional jurisdiction specific requirements where these exist (e.g., appointing a depositary).

The full scope of the Directive may also be extended on a jurisdiction-by-jurisdiction basis to non-EEA AIFMs that wish to market an AIF within the EEA pursuant to a pan-European marketing passport. In July 2016, the ESMA published advice to

EU institutions on extending the passport to certain non-EU jurisdictions. This included positive assessments in respect of extending the passport under the Directive to five non-EEA jurisdictions, which notably did not include the United States or the Cayman Islands. ESMA expressed a qualified assessment in respect of the United States due to concerns about reciprocity of market access. ESMA gave no assessment in respect of the Cayman Islands. The European Commission was expected and arguably required to publish legislation before the end of October 2016 setting a date for the pan-European marketing passport to be made available, at least in respect of the five non-EEA jurisdictions it had assessed positively. It did not publish this legislation in 2016 and, due to a number of reasons, it is unclear when legislation will be implemented to develop the non-EEA AIFM passport.

Certain of the jurisdiction specific private placement regimes may cease to exist when the non-EEA AIFM passport becomes available. This development could have a negative impact on our ability to raise capital from EEA investors if, for example, a jurisdiction specific private placement regime ceases to operate and the non-EEA AIFM passport is not made available to United States AIFMs.

The operating requirements imposed by the Directive include, amongst other things, rules relating to the remuneration of certain personnel, minimum regulatory capital requirements, restrictions on the use of leverage, restrictions on early distributions relating to portfolio companies (so-called “asset stripping rules”), disclosure and reporting requirements to both investors and home state regulators, the independent valuation of an AIF’s assets and the appointment of an independent depository to hold assets. As a result, the Directive increases the regulatory burden and the cost of doing business for Ares Management UK Limited and, to a more limited extent, non-EEA AIFMs which market non-EEA AIFs under EEA private placement regimes. This potentially disadvantages our funds as investors in private companies located in EEA member states when compared to non-AIF/AIFM competitors that may not be subject to the requirements of the Directive, thereby potentially restricting our funds’ ability to invest in such companies.

The Directive allows AIFMs to invest in securitizations on behalf of the alternative investment funds they manage, only if the originator, sponsor or original lender for the securitization has explicitly disclosed that it will retain, on an ongoing basis, a material net economic interest of not less than 5% of the nominal value of the securitized exposures or of the tranches sold to investors and certain due diligence undertakings are made. AIFMs that discover after the assumption of a securitization exposure that the retained interest does not meet the requirements, or subsequently falls below 5% of the economic risk, are required to take such corrective action as is in the best interests of investors. It remains to be seen how AIFMs will address requirement in practice should these circumstances arise. These requirements, along with other changes to the regulation or regulatory treatment of securitizations, may negatively affect the value of investments made by our funds.

The Directive could also limit our operating flexibility and our investment opportunities, as well as expose us and/or our funds to conflicting regulatory requirements in the United States (and elsewhere).

Solvency II

Solvency II sets out stronger capital adequacy and risk management requirements for European insurers and reinsurers and, in particular, dictates how much capital such firms must hold against their liabilities and introduces a risk-based assessment of those liabilities. Solvency II came into force on January 1, 2010 but was only required to be implemented by firms on January 1, 2016. There are also a number of transitional provisions designed to avoid market disruption. Solvency II imposes, amongst other things, substantially greater quantitative and qualitative capital requirements for insurers and reinsurers as well as other supervisory and disclosure requirements. We are not subject to Solvency II; however, many of our European insurer or reinsurer fund investors are subject to this directive, as applied under applicable domestic law. Solvency II may impact insurers’ and reinsurers’ investment decisions and their asset allocations. In addition, insurers and reinsurers will be subject to more onerous data collation and reporting requirements. As a result, Solvency II could have an adverse indirect effect on our businesses by, amongst other things, restricting the ability of European insurers and reinsurers to invest in our funds and imposing on us extensive disclosure and reporting obligations for those insurers and reinsurers that do invest in our funds. The final details and requirements of the subsidiary regulations pursuant to Solvency II remain uncertain and are subject to change as a result of enactment both of related EU legislation, guidelines and national implementing legislation in EEA member states.

MiFID II

The recast Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (collectively referred to as MiFID II) will come into effect beginning January 3, 2018. MiFID II will amend the existing MiFID regime and, amongst other requirements, will introduce new organizational and operational requirements for investment firms in the EEA. Compliance with these new rules may require updates to existing procedures, systems and controls and the development of new internal systems, which may include substantial automated and electronic systems, and is likely to involve material costs to the business.

The recent vote in the UK to exit from the EU could adversely affect our business and our operations.

The recent vote by the electorate in a referendum in the UK to exit from the EU (referred to as “Brexit”) could disrupt our business and operations, including the liquidity and value of our investments. Since its announcement, Brexit has caused significant geo-political uncertainty and market volatility in the UK and elsewhere. Although the referendum is non-binding, the UK’s leadership has indicated that it expects Brexit to be passed into law and to commence negotiations with the EU to determine the future terms, including with respect to trade, of the UK’s ongoing relationship with the EU. These negotiations are expected to take a number of years, which could prolong the related uncertainty and volatility, which among other things, could affect the pace of capital deployment and investment realizations.

Depending on the outcome of these negotiations, the UK could lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members, which could have a material adverse effect on our operations and the operations of our portfolio companies. For example, a decline in trade could affect the attractiveness of the UK as a global investment center and, as a result, could make doing business in Europe more difficult. In addition, our current and prospective funds could lose their AIFMD marketing passport, which provides them the license to market funds across borders within the single EU market without obtaining local regulatory approval. The movement of capital and the mobility of personnel may also be restricted. These and other by-products of Brexit, such as the tightening of credit in the UK commercial real estate market, may also increase the costs of having operations, conducting business and making investments in the UK and Europe. As a result, the performance of our funds which are focused on investing in the UK and to a lesser extent across Europe, such as certain funds in our Credit and Real Estate Groups may be disproportionately affected compared to those funds that invest more broadly across global geographies or are focused on different regions.

The Brexit vote has also caused exchange rate fluctuations that have resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business, including the British pound and the Euro. Where un-hedged, the strengthening of the U.S. dollar relative to other currencies may, among other things, adversely affect the results of operations of our funds and investments that are denominated in non-U.S. dollar currencies and also adversely affect businesses that rely on the strength of foreign currencies against the U.S. dollar, and thereby have a negative impact on our investments in those businesses. Movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies affect the management fees earned by funds with fee earning AUM denominated in non-U.S. dollar currencies as well as by funds with fee earning AUM denominated in U.S. dollars that hold investments denominated in non-U.S. dollar currencies. Additionally, movements in exchange rates affect operating expenses for our foreign offices that are denominated in non-U.S. currencies, cash balances we hold in non-U.S. currencies and investments we hold in non-U.S. currencies.

Further, the UK’s determination as to which, if any, EU laws to repeal, retain, replace or replicate upon its exit from the EU could exacerbate the uncertainty and result in divergent national laws and regulations. Changes to the regulatory regimes in the UK or the EU and its member states could materially affect our business prospects and opportunities and increase our costs. In addition, Brexit could potentially disrupt the tax jurisdictions in which we operate and affect the tax benefits or liabilities in these or other jurisdictions in a manner that is adverse to us and/or our funds. Any of the foregoing could materially and adversely affect our business, results of operations and financial condition.

We are subject to risks in using prime brokers, custodians, counterparties, administrators and other agents.

Many of our funds depend on the services of prime brokers, custodians, counterparties, administrators and other agents to carry out certain securities and derivatives transactions. The terms of these contracts are often customized and complex, and many of these arrangements occur in markets or relate to products that are not subject to regulatory oversight, although the Dodd-Frank Act provides for new regulation of the derivatives market. In particular, some of our funds utilize prime brokerage arrangements with a relatively limited number of counterparties, which has the effect of concentrating the transaction volume (and related counterparty default risk) of these funds with these counterparties.

Our funds are subject to the risk that the counterparty to one or more of these contracts defaults, either voluntarily or involuntarily, on its performance under the contract. Any such default may occur suddenly and without notice to us. Moreover, if a counterparty defaults, we may be unable to take action to cover our exposure, either because we lack contractual recourse or because market conditions make it difficult to take effective action. This inability could occur in times of market stress, which is when defaults are most likely to occur.

In addition, our risk-management models may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not have taken sufficient action to reduce our risks effectively. Default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose us to significant losses.

Although we have risk-management models and processes to ensure that we are not exposed to a single counterparty for significant periods of time, given the large number and size of our funds, we often have large positions with a single counterparty. For example, most of our funds have credit lines. If the lender under one or more of those credit lines were to become insolvent, we may have difficulty replacing the credit line and one or more of our funds may face liquidity problems.

In the event of a counterparty default, particularly a default by a major investment bank or a default by a counterparty to a significant number of our contracts, one or more of our funds may have outstanding trades that they cannot settle or are delayed in settling. As a result, these funds could incur material losses and the resulting market impact of a major counterparty default could harm our businesses, results of operation and financial condition.

In the event of the insolvency of a prime broker, custodian, counterparty or any other party that is holding assets of our funds as collateral, our funds might not be able to recover equivalent assets in full as they will rank among the prime broker's, custodian's or counterparty's unsecured creditors in relation to the assets held as collateral. In addition, our funds' cash held with a prime broker, custodian or counterparty generally will not be segregated from the prime broker's, custodian's or counterparty's own cash, and our funds may therefore rank as unsecured creditors in relation thereto. If our derivatives transactions are cleared through a derivatives clearing organization, the CFTC has issued final rules regulating the segregation and protection of collateral posted by customers of cleared and uncleared swaps. The CFTC is also working to provide new guidance regarding prime broker arrangements and intermediation generally with regard to trading on swap execution facilities.

The counterparty risks that we face have increased in complexity and magnitude as a result of disruption in the financial markets in recent years. For example, the consolidation and elimination of counterparties has increased our concentration of counterparty risk and decreased the universe of potential counterparties, and our funds are generally not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. In addition, counterparties have generally reacted to recent market volatility by tightening their underwriting standards and increasing their margin requirements for all categories of financing, which has the result of decreasing the overall amount of leverage available and increasing the costs of borrowing.

A portion of our revenue, net income and cash flow is variable, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our common units to decline.

A portion of our revenue, net income and cash flow is variable, primarily due to the fact that the performance fees that we receive from certain of our funds can vary from quarter to quarter and year to year. In addition, the investment returns of most of our funds are volatile. We may also experience fluctuations in our results from quarter to quarter and year to year due to a number of other factors, including changes in the values of our funds' investments, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. Such variability may lead to volatility in the trading price of our common units and cause our results for a particular period not to be indicative of our performance in a future period. It may be difficult for us to achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to large adverse movements in the price of our common units or increased volatility in the price of our common units generally.

The timing and amount of performance fees generated by our funds is uncertain and contributes to the volatility of our results. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value or other proceeds of an investment through a sale, public offering, recapitalization or other exit. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash or other proceeds. We cannot predict when, or if, any realization of investments will occur. If we were to have a realization event in a particular quarter or year, it may have a significant impact on our results for that particular quarter or year that may not be replicated in subsequent periods. We recognize revenue on investments in our funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds, and a decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our revenue, which could increase the volatility of our results.

With respect to our funds that generate carried interest, the timing and receipt of such carried interest varies with the life cycle of our funds. During periods in which a relatively large portion of our assets under management is attributable to funds and investments in their "harvesting" period, our funds would make larger distributions than in the fund-raising or investment periods that precede harvesting. During periods in which a significant portion of our assets under management is attributable to funds that are not in their harvesting periods, we may receive substantially lower carried interest distributions. Moreover in some cases, we receive carried interest payments only upon realization of investments by the relevant fund, which contributes to the volatility of our cash flow and in other funds we are only entitled to carried interest payments after a return of all contributions and a preferred return to investors.

With respect to our funds that pay an incentive fee, the incentive fee is generally paid annually. In many cases, we earn this incentive fee only if the net asset value of a fund has increased or, in the case of certain funds, increased beyond a particular threshold. Some of our funds also have “high water marks”. If the high water mark for a particular fund is not surpassed, we would not earn an incentive fee with respect to that fund during a particular period even if the fund had positive returns in such period as a result of losses in prior periods. If the fund were to experience losses, we would not be able to earn an incentive fee from such fund until it surpassed the previous high water mark. The incentive fees we earn are, therefore, dependent on the net asset value of our fund investments, which could lead to significant volatility in our results. Finally, the timing and amount of incentive fees generated by our closed-end funds are uncertain and will contribute to the volatility of our net income. Incentive fees depend on our closed-end funds’ investment performance and opportunities for realizing gains, which may be limited.

Because a portion of our revenue, net income and cash flow can be variable from quarter to quarter and year to year, we do not plan to provide any guidance regarding our expected quarterly and annual operating results. The lack of guidance may affect the expectations of public market analysts and could cause increased volatility in the price of our common units.

We may be subject to litigation risks and may face liabilities and damage to our professional reputation as a result.

In recent years, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against investment managers have been increasing. We make investment decisions on behalf of investors in our funds that could result in substantial losses. This may subject us to the risk of legal liabilities or actions alleging negligent misconduct, breach of fiduciary duty or breach of contract. Further, we may be subject to third-party litigation arising from allegations that we improperly exercised control or influence over portfolio investments. In addition, we and our affiliates that are the investment managers and general partners of our funds, our funds themselves and those of our employees who are our, our subsidiaries’ or the funds’ officers and directors are each exposed to the risks of litigation specific to the funds’ investment activities and portfolio companies and, in the case where our funds own controlling interests in public companies, to the risk of shareholder litigation by the public companies’ other shareholders. Moreover, we are exposed to risks of litigation or investigation by investors or regulators relating to our having engaged, or our funds having engaged, in transactions that presented conflicts of interest that were not properly addressed.

Legal liability could have a material adverse effect on our businesses, financial condition or results of operations or cause reputational harm to us, which could harm our businesses. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain investors and to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the investment industry in general, whether or not valid, may harm our reputation, which may be damaging to our businesses.

Employee misconduct could harm us by impairing our ability to attract and retain investors and subjecting us to significant legal liability, regulatory scrutiny and reputational harm.

Our ability to attract and retain investors and to pursue investment opportunities for our funds depends heavily upon the reputation of our professionals, especially our senior professionals. We are subject to a number of obligations and standards arising from our investment management business and our authority over the assets managed by our investment management business. Further, our employees are subject to various internal policies including a Code of Ethics and policies covering information systems, business continuity and information security. The violation of these obligations, standards and policies by any of our employees could adversely affect investors in our funds and us. Our businesses often require that we deal with confidential matters of great significance to companies in which our funds may invest. If our employees or former employees were to use or disclose confidential information improperly, we could suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to detect or deter employee misconduct, and the extensive precautions we take to detect and prevent this activity may not be effective in all cases. If one or more of our employees or former employees were to engage in misconduct or were to be accused of such misconduct, our businesses and our reputation could be adversely affected and a loss of investor confidence could result, which would adversely impact our ability to raise future funds.

Fraud and other deceptive practices or other misconduct at our portfolio companies, properties or projects could similarly subject us to liability and reputational damage and also harm our businesses.

In recent years, the U.S. Department of Justice and the Commission have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom significantly expanded the reach of its anti-bribery law with the creation of the U.K. Bribery Act of 2010 (the “UK Bribery Act”). The UK Bribery Act prohibits companies that conduct business in the United Kingdom and their employees and representatives from giving, offering or promising bribes to any person, including non-UK government officials, as well as requesting, agreeing to receive or accepting bribes from any person. Under the UK Bribery Act, companies may be held liable for failing to prevent their employees and associated persons from violating the UK Bribery Act. While we have developed and implemented policies and procedures designed to ensure strict compliance by us and our personnel with the FCPA and UK Bribery Act, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA, the UK Bribery Act or other applicable anti-corruption laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects, financial position or the market value of our common units.

In addition, we could be adversely affected as a result of actual or alleged misconduct by personnel of portfolio companies, properties or projects in which our funds invest. For example, failures by personnel at our portfolio companies, properties or projects to comply with anti-bribery, trade sanctions, Federal Energy Regulatory Commission or Environmental Protection Agency regulations or other legal and regulatory requirements could expose us to litigation or regulatory action and otherwise adversely affect our businesses and reputation. Such misconduct could negatively affect the valuation of a fund’s investments and consequently affect our funds’ performance and negatively impact our businesses.

Our use of leverage to finance our businesses exposes us to substantial risks.

As of December 31, 2016, we had no borrowings outstanding under our credit facility (the “Credit Facility”) and $244.7 million aggregate principal amount of senior notes outstanding. We may choose to finance our businesses operations through further borrowings under the Credit Facility or by issuing additional debt. Our existing and future indebtedness exposes us to the typical risks associated with the use of leverage, including those discussed below under “-Risks Related to Our Funds-Dependence on significant leverage in investments by our funds subjects us to volatility and contractions in the debt financing markets and could adversely affect our ability to achieve attractive rates of return on those investments.” The occurrence of any of these risks could cause us to suffer a decline in the credit ratings assigned to our debt by rating agencies, which would cause the interest rate applicable to borrowings under the Credit Facility to increase and could result in other material adverse effects on our businesses. We depend on financial institutions extending credit to us on terms that are reasonable to us. There is no guarantee that such institutions will continue to extend credit to us or renew any existing credit agreements we may have with them, or that we will be able to refinance outstanding facilities when they mature. Furthermore, our Credit Facility and the indenture governing our senior notes contain certain covenants with which we need to comply. Non-compliance with any of the covenants without cure or waiver would constitute an event of default, and an event of default resulting from a breach of certain covenants could result, at the option of the lenders, in an acceleration of the principal and interest outstanding. In addition, if we incur additional debt, our credit rating could be adversely impacted.

Borrowings under the Credit Facility will mature in February 2022 (maturity date was extended as of February 24, 2017) and the senior notes mature in October 2024. As these borrowings and other indebtedness mature (or are otherwise repaid prior to their scheduled maturities), we may be required to either refinance them by entering into new facilities or issuing additional debt, which could result in higher borrowing costs, or issuing equity, which would dilute existing unitholders. We could also repay these borrowings by using cash on hand, cash provided by our continuing operations or cash from the sale of our assets, which could reduce distributions to our common unitholders. We may be unable to enter into new facilities or issue debt or equity in the future on attractive terms, or at all. Borrowings under the Credit Facility are LIBOR-based obligations. As a result, an increase in short-term interest rates will increase our interest costs if such borrowings have not been hedged into fixed rates.

The risks related to our use of leverage may be exacerbated by our funds’ use of leverage to finance investments. See “-Risks Related to Our Funds-Dependence on significant leverage in investments by our funds subjects us to volatility and contractions in the debt financing markets and could adversely affect our ability to achieve attractive rates of returns on those investments.”

Operational risks may disrupt our businesses, result in losses or limit our growth.

We face operational risk from errors made in the execution, confirmation or settlement of transactions. We also face operational risk from transactions and key data not being properly recorded, evaluated or accounted for in our funds. In particular, our Credit Group, and to a lesser extent our Private Equity Group, are highly dependent on our ability to process and evaluate, on a daily basis, transactions across markets and geographies in a time-sensitive, efficient and accurate manner. Consequently, we rely heavily on our financial, accounting and other data processing systems. New investment products we may introduce could create a significant risk that our existing systems may not be adequate to identify or control the relevant risks in the investment strategies employed by such new investment products.

In addition, we operate in a business that is highly dependent on information systems and technology. Our information systems and technology may not continue to be able to accommodate our growth, particularly our growth internationally, and the cost of maintaining the systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to the information systems, could have a material adverse effect on our business and results of operations.

Furthermore, our headquarters and a substantial portion of our personnel are located in Los Angeles. An earthquake or other disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications, our internal human resources systems or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, could have a material adverse effect on our ability to continue to operate our businesses without interruption. Although we have disaster recovery programs in place, these may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Finally, we rely on third-party service providers for certain aspects of our businesses, including for certain information systems, technology and administration of our funds and compliance matters. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of our funds' operations and could impact our reputation, adversely affect our businesses and limit our ability to grow.

Cybersecurity risks and cyber incidents could adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information and/or damage to our business relationships, any of which could negatively impact our business, financial condition and operating results.

There has been an increase in the frequency and sophistication of the cyber and security threats we face, with attacks ranging from those common to businesses generally to those that are more advanced and persistent, which may target us because, as an alternative asset management firm, we hold confidential and other price sensitive information about existing and potential investments. As a result, we may face a heightened risk of a security breach or disruption with respect to sensitive information resulting from an attack by computer hackers, foreign governments or cyber terrorists.

The efficient operation of our business is dependent on computer hardware and software systems, as well as data processing systems and the secure processing, storage and transmission of information, which are vulnerable to security breaches and cyber incidents. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships, causing our business and results of operations to suffer. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided by third-party service providers. We have implemented processes, procedures and internal controls designed to mitigate cybersecurity risks and cyber intrusions and rely on industry accepted securities measures and technology to securely maintain confidential and proprietary information maintained on our information systems; however, these measures, as well as our increased awareness of the nature and extent of a risk of a cyber-incident, do not guarantee that a cyber-incident will not occur and/or that our financial results, operations or confidential information will not be negatively impacted by such an incident.

Our funds' portfolio companies also rely on similar systems and face similar risks. A disruption or compromise of these systems could have a material adverse effect on the value of these businesses.

Cybersecurity has become a top priority for regulators in the U.S. and around the world. For example, the Commission has announced that one of the 2017 examination priorities for the Office of Compliance Inspections and Examinations' is on investment firms' cybersecurity procedures and controls. We expect to be required to devote increasing levels of funding and resources to comply with evolving cybersecurity regulations and to continually monitor and enhance our cybersecurity procedures and controls.

Risks Related to Our Funds

The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.

The historical performance of our funds is relevant to us primarily insofar as it is indicative of performance fees we have earned in the past and may earn in the future and our reputation and ability to raise new funds. The historical and potential returns of the funds we advise are not, however, directly linked to returns on our common units. Therefore, holders of our common units should not conclude that positive performance of the funds we advise will necessarily result in positive returns on an investment in common units. However, poor performance of the funds we advise would likely cause a decline in our revenues and would therefore likely have a negative effect on our operating results and returns on our common units. An investment in our units is not an investment in any of our funds. Also, there is no assurance that projections in respect of our funds or unrealized valuations will be realized.

Moreover, the historical returns of our funds should not be considered indicative of the future returns of these or from any future funds we may raise, in part because:

- market conditions during previous periods may have been significantly more favorable for generating positive performance than the market conditions we may experience in the future;
- our funds' rates of returns, which are calculated on the basis of net asset value of the funds' investments, reflect unrealized gains, which may never be realized;
- our funds' returns have previously benefited from investment opportunities and general market conditions that may not recur, including the availability of debt capital on attractive terms and the availability of distressed debt opportunities, and we may not be able to achieve the same returns or profitable investment opportunities or deploy capital as quickly;
- the historical returns that we present in this report derive largely from the performance of our earlier funds, whereas future fund returns will depend increasingly on the performance of our newer funds or funds not yet formed, which may have little or no realized investment track record;
- our funds' historical investments were made over a long period of time and over the course of various market and macroeconomic cycles, and the circumstances under which our current or future funds may make future investments may differ significantly from those conditions prevailing in the past;
- the attractive returns of certain of our funds have been driven by the rapid return of invested capital, which has not occurred with respect to all of our funds and we believe is less likely to occur in the future;
- in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in alternative funds and high liquidity in debt markets, and the increased competition for investments may reduce our returns in the future; and
- our newly established funds may generate lower returns during the period that they take to deploy their capital.

The future internal rate of return for any current or future fund may vary considerably from the historical internal rate of return generated by any particular fund, or for our funds as a whole. Future returns will also be affected by the risks described elsewhere in this report, including risks of the industries and businesses in which a particular fund invests.

Valuation methodologies for certain assets can be subject to significant subjectivity, and the values of assets may never be realized.

Many of the investments in our funds are illiquid and thus have no readily ascertainable market prices. We value these investments based on our estimate, or an independent third party's estimate, of their fair value as of the date of determination, which often involves significant subjectivity. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. We estimate the fair value of our investments based on third-party models, or models developed by us, which include discounted cash flow analyses and other techniques and may be based, at least in part, on independently sourced market parameters. The material estimates and assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, the timing of and the estimated proceeds from expected financings, some or all of which factors may be ascribed more or less weight in light of the particular circumstances. The actual results related to any particular investment often vary materially as a result of the inaccuracy of these estimates and assumptions. In addition, because many of the illiquid investments held by our funds are in industries or sectors which are unstable, in distress or undergoing some uncertainty, such investments are subject to rapid changes in value caused by sudden company-specific or industry-wide developments.

We include the fair value of illiquid assets in the calculations of net asset values, returns of our funds and our assets under management. Furthermore, we recognize performance fees from affiliates based in part on these estimated fair values. Because these valuations are inherently uncertain, they may fluctuate greatly from period to period. Also, they may vary greatly from the prices that would be obtained if the assets were to be liquidated on the date of the valuation and often do vary greatly from the prices we eventually realize; as a result, there can be no assurance that such unrealized valuations will be fully or timely realized.

In addition, the values of our investments in publicly traded assets are subject to significant volatility, including due to a number of factors beyond our control. These include actual or anticipated fluctuations in the quarterly and annual results of these companies or other companies in their industries, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions or government regulations, changes in management or capital structure and significant acquisitions and dispositions. Because the market prices of these securities can be volatile, the valuations of these assets change from period to period, and the valuation for any particular period may not be realized at the time of disposition. In addition, because our funds often hold large positions in their portfolio companies, the disposition of these securities often is delayed for, or takes place over, long periods of time, which can further expose us to volatility risk. Even if we hold a quantity of public securities that may be difficult to sell in a single transaction, we do not discount the market price of the security for purposes of our valuations.

Although we frequently engage independent third parties to perform the foregoing valuations, the valuation process remains inherently subjective for the reasons described above.

If we realize value on an investment that is significantly lower than the value at which it was reflected in a fund's net asset values, we would suffer losses in the applicable fund. This could in turn lead to a decline in asset management fees and a loss equal to the portion of the performance fees from affiliates reported in prior periods that was not realized upon disposition. These effects could become applicable to a large number of our investments if our estimates and assumptions used in estimating their fair values differ from future valuations due to market developments. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Segment Analysis" for information related to fund activity that is no longer consolidated. If asset values turn out to be materially different than values reflected in fund net asset values, fund investors could lose confidence which could, in turn, result in difficulties in raising additional investments.

Market values of debt instruments and publicly traded securities that our funds hold as investments may be volatile.

The market prices of debt instruments and publicly traded securities held by some of our funds may be volatile and are likely to fluctuate due to a number of factors beyond our control, including actual or anticipated changes in the profitability of the issuers of such securities, general economic, social or political developments, changes in industry conditions, changes in government regulation, shortfalls in operating results from levels forecast by securities analysts, inflation and rapid fluctuations in inflation rates, the general state of the securities markets and other material events, such as significant management changes, financings, refinancings, securities issuances, acquisitions and dispositions. The value of publicly traded securities in which our funds invest may be particularly volatile as a result of these factors. In addition, debt instruments that are held by our funds to maturity or for long terms must be "marked-to-market" periodically, and their values are therefore vulnerable to interest rate fluctuations and the changes in the general state of the credit environment, notwithstanding their underlying performance. Changes in the values of these investments may adversely affect our investment performance and our results of operations.

Our funds depend on investment cycles, and any change in such cycles could have an adverse effect on our investment prospects.

Cyclicality is important to our businesses. Weak economic environments have often provided attractive investment opportunities and strong relative investment performance. For example, the relative performance of our high yield bond strategy has typically been strongest in difficult times when default rates are highest, and our distressed debt and control investing funds have historically identified investment opportunities during downturns in the economy when credit is not as readily available. Conversely, we tend to realize value from our investments in times of economic expansion, when opportunities to sell investments may be greater. Thus, we depend on the cyclicality of the market to sustain our businesses and generate attractive risk-adjusted returns over extended periods. Any prolonged economic expansion or recession could have an adverse impact on certain of our funds and materially affect our ability to deliver attractive investment returns or generate incentive or other income.

Dependence on significant leverage in investments by our funds subjects us to volatility and contractions in the debt financing markets and could adversely affect our ability to achieve attractive rates of return on those investments.

Some of our funds and their investments rely on the use of leverage, and our ability to achieve attractive rates of return on investments will depend on our ability to access sufficient sources of indebtedness at attractive rates. If our funds or the companies in which our funds invest raise capital in the structured credit, leveraged loan and high yield bond markets, the results of their operations may suffer if such markets experience dislocations, contractions or volatility. Any such events could adversely impact the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. In 2015 and again in 2016, interest rates increased and the credit markets tightened, decreasing the availability of leverage and the attractiveness of the terms on which we, our funds and our portfolio companies were able to obtain debt financing. A protracted economic downturn could adversely affect the financial resources of our funds and their investments (in particular those investments that depend on credit from third parties or that otherwise participate in the credit markets) and their ability to make principal and interest payments on, or refinance, outstanding debt when due. Moreover, these events could affect the terms of available debt financing with, for example, higher rates, higher equity requirements and/or more restrictive covenants, particularly in the area of acquisition financings for leveraged buyout and real estate assets transactions.

The absence of available sources of sufficient debt financing for extended periods of time or an increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments. Future increases in interest rates could also make it more difficult to locate and consummate investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital or their ability to benefit from a higher amount of cost savings following the acquisition of the asset. In addition, a portion of the indebtedness used to finance investments often includes high yield debt securities issued in the capital markets. Availability of capital from the high yield debt markets is subject to significant volatility, and there may be times when we are unable to access those markets at attractive rates, or at all, when completing an investment. Certain investments may also be financed through borrowings on fund-level debt facilities, which may or may not be available for a refinancing at the end of their respective terms. Finally, the interest payments on the indebtedness used to finance our funds' investments are generally deductible expenses for income tax purposes under current law, subject to limitations under applicable tax law and policy. Any change in such tax law or policy to eliminate or substantially limit these income tax deductions, as has been discussed from time to time in various jurisdictions, would reduce the after-tax rates of return on the affected investments, which may have an adverse impact on our businesses and financial results. See "-Our funds make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States."

In the event that our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could reduce the performance and investment income earned by us. Similarly, our funds' portfolio companies regularly utilize the corporate debt markets to obtain financing for their operations. If the credit markets continue to render such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns of our funds. In addition, if the markets make it difficult or impossible to refinance debt that is maturing in the near term, some of our portfolio companies may be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection. Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flow.

When our funds' existing portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have not generated sufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. A persistence of the limited availability of financing for such purposes for an extended period of time when significant amounts of the debt incurred to finance our funds' existing portfolio investments becomes due could have a material adverse effect on these funds.

Our funds may choose to use leverage as part of their respective investment programs and certain funds, particularly in our Credit Group, regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A fund may borrow money from time to time to purchase or carry securities or may enter into derivative transactions with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried and will be lost, and the timing and magnitude of such losses may be accelerated or exacerbated, in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause the fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings. In addition, as a business development company registered under the Investment Company Act, ARCC is permitted to incur indebtedness or issue senior securities only in amounts such that its asset coverage ratio equals at least 200% after each such issuance or issuance. ARCC's ability to pay dividends will be restricted if its asset coverage ratio falls below at least 200% and any amounts that it uses to service its indebtedness are not available for dividends to its common stockholders. An increase in interest rates could also decrease the value of fixed-rate debt investments that our funds make. Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flow.

Some of our funds may invest in companies that are highly leveraged, which may increase the risk of loss associated with those investments.

Some of our funds may invest in companies whose capital structures involve significant leverage. For example, in many non-distressed private equity investments, indebtedness may be as much as 75% or more of a portfolio company's or real estate asset's total debt and equity capitalization, including debt that may be incurred in connection with the investment, whether incurred at or above the investment-level entity. In distressed situations, indebtedness may exceed 100% or more of a portfolio company's capitalization. Additionally, the debt positions acquired by our funds may be the most junior in what could be a complex capital structure, and thus subject us to the greatest risk of loss.

Investments in highly leveraged entities are also inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. Furthermore, the incurrence of a significant amount of indebtedness by an entity could, among other things:

- subject the entity to a number of restrictive covenants, terms and conditions, any violation of which could be viewed by creditors as an event of default and could materially impact our ability to realize value from the investment;
- allow even moderate reductions in operating cash flow to render the entity unable to service its indebtedness, leading to a bankruptcy or other reorganization of the entity and a loss of part or all of our fund’s equity investment in it;
- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity’s ability to respond to changing industry conditions if additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the entity’s ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors that have relatively less debt;
- limit the entity’s ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- limit the entity’s ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

As a result, the risk of loss associated with a leveraged entity is generally greater than for companies with comparatively less debt. For example, a number of investments consummated by private equity sponsors during 2005, 2006 and 2007 that utilized significant amounts of leverage subsequently experienced severe economic stress and, in certain cases, defaulted on their debt obligations due to a decrease in revenues and cash flow precipitated by the subsequent economic downturn during 2008 and 2009. Similarly, the leveraged nature of the investments of our real estate funds increases the risk that a decline in the fair value of the underlying real estate or tangible assets will result in their abandonment or foreclosure.

Many of our funds invest in assets that are high risk, illiquid or subject to restrictions on transfer and we may fail to realize any profits from these activities ever or for a considerable period of time.

Many of our funds invest in securities that are not publicly traded. In many cases, our funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our funds generally cannot sell these securities publicly unless either their sale is registered under applicable securities laws or an exemption from such registration is available. Accordingly, our funds may be forced, under certain conditions, to sell securities at a loss. The ability of many of our funds, particularly our private equity funds, to dispose of these investments is heavily dependent on the public equity markets. For example, the ability to realize any value from an investment may depend upon the ability of the portfolio company in which such investment is held to complete an initial public offering. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial period of time. Moreover, because the investment strategy of many of our funds, particularly our Private Equity Group funds, often entails our having representation on our funds’ public portfolio company boards, our funds can effect such sales only during limited trading windows, exposing the investment returns to risks of downward movement in market prices during the intended disposition period. In addition, our Credit Group funds may hold investments in portfolio companies of such Private Equity Group funds on which we have board representation and be restricted for extended periods of time from selling their investments. As such, we may fail to realize any profits from our investments in the funds that hold these securities for a considerable period of time or at all, and we may lose some or all of the principal amount of our investments.

Certain of our funds utilize special situation and distressed debt investment strategies that involve significant risks.

Certain of the funds in our Credit and Private Equity Groups invest in obligors and issuers with weak financial conditions, poor operating results, substantial financing needs, negative net worth and/or special competitive problems. These funds also invest in obligors and issuers that are involved in bankruptcy or reorganization proceedings. In such situations, it may be difficult to obtain full information as to the exact financial and operating conditions of these obligors and issuers. Additionally, the fair values of such investments are subject to abrupt and erratic market movements and significant price volatility if they are publicly traded securities, and are subject to significant uncertainty in general if they are not publicly traded securities. Furthermore, some of our funds’ distressed investments may not be widely traded or may have no recognized market. A fund’s exposure to such investments may be substantial in relation to the market for those investments, and the assets are likely to be illiquid and difficult to sell or transfer. As a result, it may take a number of years for the market value of such investments to ultimately reflect their intrinsic value as perceived by us.

A central feature of our distressed investment strategy is our ability to effectively anticipate the occurrence of certain corporate events, such as debt and/or equity offerings, restructurings, reorganizations, mergers, takeover offers and other transactions, that we believe will improve the condition of the business. Similarly, we perform significant analysis of the company's capital structure, operations, industry and ability to generate income, as well as market valuation of the company and its debt, and develop a strategy with respect to a particular distressed investment based on such analysis. In furtherance of that strategy our funds seek to identify the best position in the capital structure in which to invest. If the relevant corporate event that we anticipate is delayed, changed or never completed, or if our analysis or investment strategy is inaccurate, the market price and value of the applicable fund's investment could decline sharply.

In addition, these investments could subject a fund to certain potential additional liabilities that may exceed the value of its original investment. Under certain circumstances, payments or distributions on certain investments may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. In addition, under certain circumstances, a lender that has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In the case where the investment in securities of troubled companies is made in connection with an attempt to influence a restructuring proposal or plan of reorganization in bankruptcy, our funds may become involved in substantial litigation.

Our funds may be unable to deploy capital at a steady and consistent pace, which could have an adverse effect on our results of operations and future fundraising.

The pace and consistency of our funds' capital deployment has been, and may in the future continue to be, affected by a range of factors, primarily market conditions and regulatory developments, that are beyond our control. For example, in 2016 our corporate Private Equity Group funds deployed less capital than in prior years as they exercised patience amid elevated purchase price multiples. During the same period, our AUM not yet earning fees, which we refer to as our "shadow" AUM, increased due to ongoing fundraising. While this "shadow" AUM represents significant future fee-earning potential, our inability to deploy this capital on the timeframe we expect, or at all, and on terms that we believe are attractive, would reduce or delay the management and performance fees that we would otherwise expect to earn on this capital. Any such reduction or delay would impair our ability to offset investments in additional resources that we often make to manage new capital, including hiring additional professionals. Moreover, we could be delayed in raising successor funds. The impact of any such reduction or delay would be particularly adverse with respect to funds where management fees are paid on invested capital. Any of the foregoing could have a material adverse effect on our results of operations and growth.

Certain of the funds or accounts we advise or manage are subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, and our businesses could be adversely affected if certain of our other funds or accounts fail to satisfy an exception under the "plan assets" regulation under ERISA.

Certain of the funds and accounts we advise or manage are subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code. For example, we currently manage some of our funds or accounts as "plan assets" under ERISA. With respect to these funds or accounts, this results in the application of the fiduciary responsibility standards of ERISA to investments made by such funds or accounts, including the requirement of investment prudence and diversification, and the possibility that certain transactions that we enter into, or may have entered into, on behalf of these funds or accounts, in the normal course of business, might constitute or result in, or have constituted or resulted in, non-exempt prohibited transactions under Section 406 of ERISA or Section 4975 of the Code. A non-exempt prohibited transaction, in addition to imposing potential liability upon fiduciaries of an ERISA plan, may also result in the imposition of an excise tax under the Code upon a "party in interest" (as defined in ERISA) or "disqualified person" (as defined in the Code) with whom we engaged in the transaction. Some of our other funds or accounts currently qualify as venture capital operating companies ("VCOCs") or rely on another exception under the "plan assets" regulation under ERISA and therefore are not subject to the fiduciary requirements of ERISA with respect to their assets. However, if these funds or accounts fail to satisfy the VCOC requirements for any reason, including as a result of an amendment of the relevant regulations by the U.S. Department of Labor, or another exception under the "plan assets" regulation under ERISA, such failure could materially interfere with our activities in relation to these funds or accounts or expose us to risks related to our failure to comply with the applicable requirements.

Our funds may be liable for the underfunded pension liabilities of their portfolio companies.

Under ERISA, members of certain "controlled groups" of "trades or businesses" may be jointly and severally liable for contributions required under any member's tax-qualified defined benefit pension plan and under certain other benefit plans. Similarly, if any member's tax-qualified defined benefit pension plan were to terminate, underfunding at termination would be the joint and several responsibility of all controlled group members, including members whose employees did not participate in the terminated plan. Similarly, joint and several liability may be imposed for certain pension plan related obligations in connection with the complete or partial withdrawal by an employer from a multiemployer pension plan. Depending on a number of factors, including the level of ownership held by our funds in a particular portfolio company, a fund may be considered to be a member of a portfolio company's "controlled group" for this purpose, and thus may be liable for the underfunded pension liabilities of such portfolio company.

In *Sun Capital Partners III L.P. v. New England Teamster and Trucking Industry Pension Fund,* the First Circuit Court of Appeal held that a fund was engaged in a "trade or business" with a portfolio company for purposes of the ERISA rules and was thus liable for underfunded pension liabilities. If this decision is applied generally to private equity investing, our funds could be exposed to liability for certain benefit plan contributions, a liability that could be significant if the portfolio company's pension plan is significantly underfunded.

Our funds' performance, and our performance, may be adversely affected by the financial performance of our portfolio companies and the industries in which our funds invest.

Our performance and the performance of our funds are significantly impacted by the value of the companies in which our funds have invested. Our funds invest in companies in many different industries, each of which is subject to volatility based upon economic and market factors. The credit crisis between mid-2007 and the end of 2009 caused significant fluctuations in the value of securities held by our funds and the recent global economic recession had a significant impact in overall performance activity and the demands for many of the goods and services provided by portfolio companies of the funds we advise. Although the U.S. economy has registered seven consecutive years of growth in real GDP, there remain many obstacles to continued growth in the economy such as global geopolitical events, risks of inflation or deflation and high debt levels, both public and private. These factors and other general economic trends are likely to affect the performance of portfolio companies in many industries and, in particular, industries that anticipated that the GDP in developed economies would quickly return to pre-crisis trend. The performance of our funds, and our performance, may be adversely affected if our fund portfolio companies in these industries experience adverse performance or additional pressure due to downward trends.

The performance of our investments with underlying exposure to the commodities markets is also subject to a high degree of business and market risk, as it is dependent upon prevailing prices of commodities such as oil, natural gas and coal. Prices for oil and natural gas, for example, are subject to wide fluctuation in response to relatively minor changes in the supply and demand for oil and natural gas, market uncertainty and a variety of additional factors that are beyond our control, such as level of consumer product demand, the refining capacity of oil purchasers, weather conditions, government regulations, the price and availability of alternative fuels, political conditions, foreign supply of such commodities and overall economic conditions. It is common in making investments with underlying exposure to the commodities markets to deploy hedging strategies to protect against pricing fluctuations but such strategies may or may not protect our investments. Declining global commodity prices have impacted the value of securities held by our funds. Continued volatility could result in lower returns than we anticipated at the time certain of our investments were made.

In respect of real estate, even though the U.S. residential real estate market has recently shown signs of stabilizing from a lengthy and deep downturn, various factors could halt or limit a recovery in the housing market and have an adverse effect on investment performance, including, but not limited to, rising mortgage interest rates, a low level of confidence in the economic recovery or the residential real estate market and high unemployment.

Third-party investors in certain of our funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund's operations and performance.

Investors in certain of our funds make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling and honoring their commitments when we call capital from them for those funds to consummate investments and otherwise pay their obligations when due. Any investor that did not fund a capital call would be subject to several possible penalties, including having a meaningful amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may also negotiate for lesser or reduced penalties at the outset of the fund, thereby limiting our ability to enforce the funding of a capital call. Third-party investors in private equity and real estate funds typically use distributions from prior investments to meet future capital calls. In cases where valuations of existing investments fall and the pace of distributions slows, investors may be unable to make new commitments to third-party managed investment funds such as those advised by us. A failure of investors to honor a significant amount of capital calls for any particular fund or funds could have a material adverse effect on the operation and performance of those funds.

Our funds make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.

Some of our funds invest a portion of their assets in the equity, debt, loans or other securities of issuers located outside the United States, including Europe and Asia, while certain of our funds invest substantially all of their assets in these types of securities, and we expect that international investments will increase as a proportion of certain of our funds' portfolios in the future. Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to:

- our funds' abilities to exchange local currencies for U.S. dollars and other currency exchange matters, including fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;
- controls on, and changes in controls on, foreign investment and limitations on repatriation of invested capital;
- less developed or less efficient financial markets than exist in the United States, which may lead to price volatility and relative illiquidity;
- the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation;
- changes in laws or clarifications to existing laws that could impact our tax treaty positions, which could adversely impact the returns on our investments;
- differences in legal and regulatory environments, particularly with respect to bankruptcy and reorganization, labor and employment laws, less developed corporate laws regarding fiduciary duties and the protection of investors and less reliable judicial systems to enforce contracts and applicable law;
- political hostility to investments by foreign or private equity investors;
- less publicly available information in respect of companies in non-U.S. markets;
- reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms;
- higher rates of inflation;
- higher transaction costs;
- difficulty in enforcing contractual obligations;
- fewer investor protections;
- certain economic and political risks, including potential exchange control regulations and restrictions on our non-U.S. investments and repatriation of capital, potential political, economic or social instability, the possibility of nationalization or expropriation or confiscatory taxation and adverse economic and political developments; and
- the imposition of non-U.S. taxes or withholding taxes on income and gains recognized with respect to such securities.

While our funds will take these factors into consideration in making investment decisions, including when hedging positions, there can be no assurance that adverse developments with respect to these risks will not adversely affect our funds that invest in securities of non-U.S. issuers. In addition, certain of these funds are managed outside the United States, which may increase the foregoing risks.

Many of our funds make investments in companies that we do not control.

Investments by many of our funds will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our funds through trading activities or through purchases of securities from the issuer. In addition, our funds may seek to acquire minority equity interests more frequently and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds retaining a minority investment. Furthermore, while certain of our funds may make "toe-hold" distressed debt investments in a company with the intention of obtaining control, there is no assurance that a control position may be obtained and such fund may retain a minority investment. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of the investments held by our funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

Increased regulatory scrutiny and uncertainty with regard to expense allocation may increase risk of harm.

While we historically have and will continue to allocate the expenses of our funds in good faith and in accordance with the terms of the relevant fund agreements and our expense allocation policy in effect from time to time, due to increased regulatory scrutiny of expense allocation policies in the private investment funds realm, there is no guarantee that our policies and practices will not be challenged by our supervising regulatory bodies. If our supervising regulators were to determine that we have improperly allocated such expenses, we could be required to refund amounts to the funds and could be subject to regulatory censure, litigation from our fund investors and/or reputational harm, each of which could have a material adverse effect on our financial condition.

We may need to pay "clawback or contingent repayment" obligations if and when they are triggered under the governing agreements with our funds.

Generally, if at the termination of a fund (and increasingly at interim points in the life of a fund), the fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, we will be obligated to repay an amount equal to the extent to which carried interest that was previously distributed to us exceeds the amounts to which we are ultimately entitled. This obligation is known as a “clawback" or contingent repayment obligation. Due in part to our investment performance and the fact that our carried interest is generally determined on a liquidation basis, as of December 31, 2016, 2015 and 2014, if the funds were liquidated at their fair values at that date, there would have been no contingent repayment obligation or liability. There can be no assurance that we will not incur a contingent repayment obligation in the future. At December 31, 2016, 2015 and 2014, had we assumed all existing investments were worthless, the amount of carried interest, net of tax, subject to contingent repayment would have been approximately $418.3 million , $322.2 million and $295.7 million, respectively, of which approximately $323.9 million , $247.9 million and $239.3 million, respectively, is reimbursable to the Company by certain professionals. Although a contingent repayment obligation is several to each person who received a distribution, and not a joint obligation, if a recipient does not fund his or her respective share of a contingent repayment obligation, we may have to fund such additional amounts beyond the amount of carried interest we retained, although we generally will retain the right to pursue remedies against those carried interest recipients who fail to fund their obligations. We may need to use or reserve cash to repay such contingent repayment obligations instead of using the cash for other purposes. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations-Contingent Obligations,” Note 2 “Summary of Significant Accounting Policies” and Note 13 “Commitments and Contingencies” to the consolidated financial statements appearing elsewhere in this report.

We derive a substantial portion of our revenues from funds managed pursuant to management agreements that may be terminated or fund partnership agreements that permit fund investors to request liquidation of investments in our funds on short notice.

The terms of our funds generally give either the manager of the fund or the fund itself the right to terminate our investment management agreement with the fund. However, insofar as we control the general partners of our funds that are limited partnerships, the risk of termination of investment management agreement for such funds is limited, subject to our fiduciary or contractual duties as general partner. This risk is more significant for certain of our funds that have independent boards of directors.

With respect to our funds that are subject to the Investment Company Act, each fund’s investment management agreement must be approved annually by (a) such fund’s board of directors or by the vote of a majority of such fund’s stockholders and (b) the majority of the independent members of such fund’s board of directors and, in certain cases, by its stockholders, as required by law. The funds’ investment management agreements can also be terminated by the majority of such fund’s stockholders. Termination of these agreements would reduce the fees we earn from the relevant funds, which could have a material adverse effect on our results of operations. Currently, ARDC, a registered investment company under the Investment Company Act, and ARCC, a registered investment company that has elected to be treated as a business development company under the Investment Company Act, are subject to these provisions of the Investment Company Act.

Third-party investors in many our funds have the right to remove the general partner of the fund and to terminate the investment period under certain circumstances. In addition, the investment management agreements related to our separately managed accounts may permit the investor to terminate our management of such accounts on short notice. These events would lead to a decrease in our revenues, which could be substantial.

The governing agreements of many of our funds provide that, subject to certain conditions, third-party investors in those funds have the right to remove the general partner of the fund or terminate the fund, including in certain cases without cause by a simple majority vote. Any such removal or dissolution could result in a cessation in management fees we would earn from such funds and/or a significant reduction in the expected amounts of performance fees or carried interest from those funds. Performance fees or carried interest could be significantly reduced as a result of our inability to maximize the value of investments by a fund during the liquidation process or in the event of the triggering of a “contingent repayment" obligation. Finally, the applicable funds would cease to exist after completion of liquidation and winding-up.

In addition, the governing agreements of many of our funds provide that, subject to certain conditions, third-party investors in those funds have the right to terminate the investment period of the fund, including in certain cases without cause. Such an event could have a significant negative impact on our revenue, net income and cash flow of such fund. The governing agreements of our funds may also provide that upon the occurrence of events, including in the event that certain “key persons” in our funds do not meet specified time commitments with regard to managing the fund, investors in those funds have the right to vote to terminate the investment period, including in certain cases by a simple majority vote in accordance with specified procedures. In addition to having a significant negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our funds would likely result in significant reputational damage to us and could negatively impact our future fundraising efforts.

We currently manage a portion of investor assets through separately managed accounts whereby we earn management fees and performance fees or carried interest, and we intend to continue to seek additional separately managed account mandates. The investment management agreements we enter into in connection with managing separately managed accounts on behalf of certain clients may in certain cases be terminated by such clients on as little as 30 days’ prior written notice. In addition, the boards of directors of the investment management companies we manage could terminate our advisory engagement of those companies on as little as 30 days’ prior written notice. ARCC’s investment management agreement can be terminated by the majority of its stockholders upon 60 days’ prior written notice. In the case of any such terminations, the management fees and performance fees or carried interest we earn in connection with managing such account or company would immediately cease, which could result in a significant adverse impact on our revenues.

In addition, if we were to experience a change of control (as defined under the Investment Advisers Act of 1940, as amended, or as otherwise set forth in the partnership agreements of our funds), continuation of the investment management agreements of our funds would be subject to investor consent. There can be no assurance that required consents will be obtained if a change of control occurs. In addition, with respect to our funds that are subject to the Investment Company Act, each fund’s investment management agreement must be approved annually (a) by such fund’s board of directors or by a vote of the majority of such fund’s stockholders and (b) by the independent members of such fund’s board of directors and, in certain cases, by its stockholders, as required by law. Termination of these agreements would cause us to lose the management fees and performance fees we earn from such funds, which could have a material adverse effect on our results of operations.

A downturn in the global credit markets could adversely affect our CLO investments.

Among the sectors that have been particularly challenged by a downturn in the global credit markets are the CLO and leveraged finance markets. CLOs are subject to credit, liquidity, interest rate and other risks. In 2008 and through early 2009, liquidity in the credit markets was significantly reduced, resulting in an increase in credit spreads and a decline in ratings, performance and market values for leveraged loans. We have significant exposure to these markets through our investments in our CLO funds. CLOs invest on a leveraged basis in loans or securities that are themselves highly leveraged investments in the underlying collateral, which increases both the opportunity for higher returns as well as the magnitude of losses when compared to unlevered investments. As a result of such funds’ leveraged position, CLOs and their investors are at greater risk of suffering losses. The CLO market in which we invest has experienced an increase in downgrades, defaults and declines in market value and defaults in respect of leveraged loans in their collateral. Many CLOs have failed in the past or may in the future fail one or more of their “overcollateralization” tests. The failure of one or more of these tests will result in reduced cash flows that may have been otherwise available for distribution to us. This would reduce the value of our investment. There can be no assurance that market conditions giving rise to these types of consequences will not once again occur, subsist or become more acute in the future.

Our funds may face risks relating to undiversified investments.

While diversification is generally an objective of our funds, there can be no assurance as to the degree of diversification, if any, that will be achieved in any fund investments. Difficult market conditions or slowdowns affecting a particular asset class, geographic region or other category of investment could have a significant adverse impact on a fund if its investments are concentrated in that area, which would result in lower investment returns. This lack of diversification may expose a fund to losses disproportionate to market declines in general if there are disproportionately greater adverse price movements in the particular investments. If a fund holds investments concentrated in a particular issuer, security, asset class or geographic region, such fund may be more susceptible than a more widely diversified investment partnership to the negative consequences of a single corporate, economic, political or regulatory event. Accordingly, a lack of diversification on the part of a fund could adversely affect a fund’s performance and, as a result, our financial condition and results of operations.

The performance of our investments may fall short of our expectations and the expectations of the investors in our funds.

Before making investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. The due diligence investigation that we will carry out with respect to an investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity.

Once we have made an investment in a portfolio company, our funds generally establish the capital structure on the basis of financial projections prepared by the management of such portfolio company. These projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. General economic conditions, which are not predictable, along with other factors, may cause actual performance to fall short of the projections.

Additionally, we may cause our funds to acquire an investment that is subject to contingent liabilities. Such contingent liabilities could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for our funds. In addition, in connection with the disposition of an investment in a portfolio company, a fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. A fund may also be required to indemnify the purchasers of such investment if any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by a fund, even after the disposition of an investment. Accordingly, the inaccuracy of representations and warranties made by a fund could harm such fund’s performance.

Our funds may be forced to dispose of investments at a disadvantageous time.

Our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund’s term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the general partners of the funds have only a limited ability to extend the term of the fund with the consent of fund investors or the advisory board of the fund, as applicable, our funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself.

Our real estate funds are subject to the risks inherent in the ownership and operation of real estate and the construction and development of real estate.

Investments in our real estate funds will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include the following:

- those associated with the burdens of ownership of real property;
- general and local economic conditions;
- changes in supply of and demand for competing properties in an area (as a result, for example, of overbuilding);
- fluctuations in the average occupancy and room rates for hotel properties;
- the financial resources of tenants;
- changes in building, environmental and other laws;
- energy and supply shortages;
- various uninsured or uninsurable risks;
- liability for “slip-and-fall” and other accidents on properties held by our funds;
- natural disasters;
- changes in government regulations (such as rent control and tax laws);
- changes in real property tax and transfer tax rates;
- changes in interest rates;
- the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable;
- negative developments in the economy that depress travel activity;
- environmental liabilities;
- contingent liabilities on disposition of assets;
- unexpected cost overruns in connection with development projects;
- terrorist attacks, war and other factors that are beyond our control; and
- dependence on local operating partners.

Although real estate values have generally rebounded with the rest of the economy, other than certain high profile assets in the best markets, various factors could halt or limit a recovery in the housing market.

If our real estate funds acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of our fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. Additionally, our funds' properties may be managed by a third party, which makes us dependent upon such third parties and subjects us to risks associated with the actions of such third parties. Any of these factors may cause the value of the investments in our real estate funds to decline, which may have a material impact on our results of operations.

Certain of our funds invest in the energy sector which is subject to significant market volatility. As such, the performance of investments in the energy sector is subject to a high degree of business and market risk.

The energy companies in which certain of our funds invest have been and will be negatively impacted by material declines in energy related commodity prices and are subject to other risks, including among others, supply and demand risk, operational risk, regulatory risk, depletion risk, reserve risk and catastrophic event risk. Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic production and international production, policies implemented by the Organization of Petroleum Exporting Countries, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems.

Hedging strategies may adversely affect the returns on our funds' investments.

When managing our exposure to market risks, we may (on our own behalf or on behalf of our funds) from time to time use forward contracts, options, swaps, caps, collars, floors, foreign currency forward contracts, currency swap agreements, currency option contracts or other strategies. Currency fluctuations in particular can have a substantial effect on our cash flow and financial condition. The success of any hedging or other derivative transactions generally will depend on our ability to correctly predict market or foreign exchange changes, the degree of correlation between price movements of a derivative instrument and the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while we may enter into a transaction to reduce our exposure to market or foreign exchange risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

While such hedging arrangements may reduce certain risks, such arrangements themselves may entail certain other risks. These arrangements may require the posting of cash collateral at a time when a fund has insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transaction costs, including potential tax costs, that reduce the returns generated by a fund. Finally, the CFTC has made several public statements that it may soon issue a proposal for certain foreign exchange products to be subject to mandatory clearing, which could increase the cost of entering into currency hedges.

Risks Related to Our Organization and Structure

If we were deemed to be an "investment company" under the Investment Company Act, applicable restrictions could make it impractical for us to continue our businesses as contemplated and could have a material adverse effect on our businesses.

An entity will generally be deemed to be an "investment company" for purposes of the Investment Company Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing investment management services and not primarily in the business of investing, reinvesting or trading in securities. We hold ourselves out as an asset management firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that we are an "orthodox" investment company as defined in Section 3(a)(1)(A) of the Investment Company Act and described in the first bullet point above. Furthermore, we have no material assets other than interests in certain direct and indirect wholly owned subsidiaries (within the meaning of the Investment Company Act), which in turn have no material assets other than partnership units in the Ares Operating Group entities. These wholly owned subsidiaries are the general partners of certain of the Ares Operating Group entities and are vested with all management and control over such Ares Operating Group entities. We do not believe that the equity interests of Ares Management, L.P. in its wholly owned subsidiaries or the partnership units of these wholly owned subsidiaries in the Ares Operating Group entities are investment securities. Moreover, because we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities, we believe that less than 40% of Ares Management, L.P.'s total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis are composed of assets that could be considered investment securities. Accordingly, we do not believe that Ares Management, L.P. is an inadvertent investment company by virtue of the 40% test in Section 3(a)(1)(C) of the Investment Company Act as described in the second bullet point above.

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that we will not be deemed to be an investment company under the Investment Company Act. If anything were to happen that would cause us to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on capital structure, the ability to transact business with affiliates and the ability to compensate senior employees, could make it impractical for us to continue our businesses as currently conducted, impair the agreements and arrangements between and among the Ares Operating Group, us, our funds and our senior management, or any combination thereof, and have a material adverse effect on our businesses, financial condition and results of operations. In addition, we may be required to limit the amount of investments that we make as a principal or otherwise conduct our businesses in a manner that does not subject us to the registration and other requirements of the Investment Company Act.

Our common unitholders do not elect our general partner or, except in limited circumstances, vote on our general partner's directors and have limited ability to influence decisions regarding our businesses.

Our general partner manages all of our operations and activities. On January 31 of each year, our general partner will determine whether the total voting power held collectively by (i) holders of the special voting units in Ares Management, L.P. (including our general partner, members of Ares Partners Holdco LLC and their respective affiliates), (ii) then-current or former Ares personnel (including indirectly through related entities) and (iii) Ares Owners Holdings L.P. is at least 10% of the voting power of the outstanding voting units of Ares Management, L.P. (the "Ares control condition"). For purposes of determining whether the Ares control condition is satisfied, our general partner will treat as outstanding, and as held by the foregoing persons, all voting units deliverable to such persons pursuant to equity awards granted to such persons. If the Ares control condition is satisfied, the board of directors of our general partner has no authority other than that which its member chooses to delegate to it. If the Ares control condition is not satisfied, the board of directors of our general partner will be responsible for the oversight of our business and operations. See "Item 10. Directors, Executive Officers and Corporate Governance-Limited Powers of Our Board of Directors."

Unlike the holders of common stock in a corporation, our common unitholders have limited voting rights and have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. Our common unitholders have no right to elect the directors of our general partner unless the Ares control condition is not satisfied. For so long as the Ares control condition is satisfied, our general partner's board of directors will be elected in accordance with its limited liability company agreement, which provides that directors may be appointed and removed by Ares Partners Holdco LLC, the member of our general partner. Ares Partners Holdco LLC is owned by the Holdco Members and managed by a board of managers, which is composed of Messrs. Arougheti, de Veer, Kaplan, Ressler and Rosenthal (the "Managers"). Decisions by the board of managers generally are made by a majority of the Managers, which majority, subject to a minimum ownership requirement, must include Antony P. Ressler. As a result, our common unitholders have limited ability to influence decisions regarding our businesses.

The Holdco Members will be able to determine the outcome of those few matters that may be submitted for a vote of our common unitholders.

Ares Voting LLC, an entity wholly owned by Ares Partners Holdco LLC, which is in turn owned and controlled by the Holdco Members, holds a special voting unit that provides it with a number of votes, on any matter that may be submitted for a vote of our common unitholders (voting together as a single class on all such matters), that is equal to the aggregate number of Ares Operating Group Units held by the limited partners of the Ares Operating Group entities that do not hold a special voting unit. The Holdco Members, through Ares Owners Holdings L.P. and the special voting unit held by Ares Voting LLC, hold approximately 72.13% of the voting power of Ares Management, L.P. Accordingly, the Holdco Members have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of our common unitholders.

Our common unitholders' voting rights are further restricted by the provision in our partnership agreement that states that any common units held by a person that beneficially owns 20% or more of any class of our common units then outstanding (other than our general partner, Ares Owners Holdings L.P., a member of Ares Partners Holdco LLC or their respective affiliates, a direct or subsequently approved transferee of our general partner or its affiliates or a person who acquired such common units with the prior approval of our general partner) cannot be voted on any matter. In addition, our partnership agreement contains provisions limiting the ability of our common unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the ability of our common unitholders to influence the manner or direction of our management. Our partnership agreement also does not restrict our general partner's ability to take actions that may result in our being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. Furthermore, the common unitholders are not be entitled to dissenters' rights of appraisal under our partnership agreement or applicable Delaware law in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

As a result of these matters and the provisions referred to under "-Our common unitholders do not elect our general partner or, except in limited circumstances, vote on our general partner's directors and have limited ability to influence decisions regarding our businesses," our common unitholders may be deprived of an opportunity to receive a premium for their common units in the future through a sale of Ares Management, L.P., and the trading prices of our common units may be adversely affected by the absence or reduction of a takeover premium in the trading price.

Potential conflicts of interest may arise among our general partner, its affiliates or associates and us. Our general partner and its affiliates and associates have limited fiduciary duties to us and our preferred and common unitholders, which may permit them to favor their own interests to the detriment of us and our preferred and common unitholders.

Conflicts of interest may arise among our general partner or its affiliates or associates, on the one hand, and us or our preferred and common unitholders, on the other hand. As a result of these conflicts, our general partner, which is wholly owned by Ares Partners Holdco LLC, which is in turn owned and controlled by Holdco Members, may favor its own interests and the interests of its affiliates or associates (including the Holdco Members) over our interests or the interests of our preferred and common unitholders. These conflicts include, among others, the following:

- our general partner determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional partnership interests and amounts of reserves, each of which can affect the amount of cash that is available for distribution to our common unitholders;
- our general partner, in resolving conflicts of interest, is entitled to take into account only such factors as it determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances, which may include factors affecting parties other than us and our preferred and common unitholders (including the Holdco Members), which has the effect of limiting its duties (including fiduciary duties) to us and our preferred and common unitholders. For example, our subsidiaries that serve as the general partners of our funds have fiduciary and contractual obligations to the investors in those funds, as a result of which we expect to regularly take actions in a manner consistent with such duties and obligations but that might adversely affect our results of operations or cash flow;
- because our senior professional owners hold their Ares Operating Group Units through an entity that is not subject to corporate income taxation and Ares Management, L.P. holds Ares Operating Group Units directly or through direct subsidiaries, some of which are subject to corporate income taxation, conflicts may arise between our senior professional owners and Ares Management, L.P. relating to the selection, structuring and disposition of investments and other matters;
- other than as set forth in the fair competition, non-solicitation and confidentiality agreements to which the Holdco Members are subject, which may not be enforceable, affiliates of our general partner and existing and former personnel employed by our general partner are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us;
- our general partner and its affiliates and associates have limited their liability and reduced or eliminated their duties (including fiduciary duties) under our partnership agreement, while also restricting the remedies available to our preferred and common unitholders for actions that, without these limitations, might constitute breaches of duty (including fiduciary duty). In addition, we have agreed to indemnify our general partner and its affiliates and associates (including the Holdco Members) to the fullest extent permitted by law, except with respect to conduct involving bad faith or criminal intent. By purchasing our preferred and common units, holders of our preferred and common units have agreed and consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law;
- our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as the terms of any such additional contractual arrangements are agreed to by our general partner in good faith as determined under our partnership agreement;
- our general partner determines how much we pay for acquisition targets and the structure of such consideration,

including whether to incur debt to fund the transaction, whether to issue units as consideration and the number of units to be issued and the amount and timing of any earn-out payments;
- the sole member of our general partner determines whether to allow senior professionals to exchange their units or waive certain restrictions relating to such units;
- our general partner determines how much debt we incur and that decision may adversely affect our credit ratings;
- our general partner determines which costs incurred by it and its affiliates are reimbursable by us;
- our general partner controls the enforcement of obligations owed to us by it and its affiliates; and
- our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

See "Item 13. Certain Relationships and Related Transactions, and Director Independence."

Our partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our general partner and its affiliates and associates and limit remedies available to preferred and common unitholders for actions that might otherwise constitute a breach of duty. It is difficult for a preferred and common unitholder to successfully challenge a resolution of a conflict of interest by our general partner or by its conflicts committee.

Our partnership agreement contains provisions that waive or consent to conduct by our general partner or its affiliates or associates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our partnership agreement provides that when our general partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it or any of its affiliates or associates causing it to do so may act without any duties (including fiduciary duties) or obligations to us or our preferred and common unitholders whatsoever. When our general partner, in its capacity as our general partner, is permitted to or required to make a decision in its "sole discretion" or "discretion" or under a grant of similar authority or latitude or pursuant to any provision not subject to an express standard of "good faith," then our general partner is entitled to consider only such interests and factors as it desires, including its own interests or the interests of the Holdco Members, and has no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any preferred and common unitholders and is not subject to any different standards imposed by our partnership agreement, or otherwise existing at law, in equity or otherwise. These provisions are expressly permitted by Delaware law. Unless our general partner breaches its obligations pursuant to our partnership agreement, we and our preferred and common unitholders do not have any recourse against our general partner even if our general partner were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of our partnership agreement, our partnership agreement provides that our general partner and its members, managers, officers and directors will not be liable to us or our preferred and common unitholders for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that the general partner or its members, managers, officers or directors acted in bad faith or with criminal intent. These modifications are detrimental to the preferred and common unitholders because they restrict the remedies available to preferred and common unitholders for actions that without those limitations might constitute breaches of duty (including fiduciary duty).

Whenever a potential conflict of interest exists between us, any of our subsidiaries or any of our partners and our general partner or its affiliates or associates, our general partner may resolve such conflict of interest in good faith. If our general partner subjectively believes that its resolution of the conflict of interest is not opposed to our best interests, then it will be conclusively deemed that its resolution was made in good faith and will not be a breach of our partnership agreement or any duty. A preferred or common unitholder seeking to challenge this resolution of the conflict of interest would bear the burden of overcoming such presumption. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

Also, if our general partner obtains the approval of its conflicts committee or a majority of the voting units, the resolution will be conclusively deemed approved by us and our preferred and common unitholders and not a breach of our partnership agreement (or any agreement referred to therein) or of any duties that our general partner or its affiliates or associates may owe to us or our preferred and common unitholders. This is different from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of demonstrating unfairness to the plaintiff. Preferred and common unitholders are treated as having consented to the provisions set forth in our partnership agreement, including provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law. As a result, preferred and common unitholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee. See "Item 13. Certain Relationships and Related Transactions, and Director Independence."

The potential requirement to convert our financial statements from being prepared in conformity with accounting principles generally accepted in the United States to International Financial Reporting Standards may strain our resources and increase our annual expenses.

As a public entity, the SEC may require in the future that we report our financial results under International Financial Reporting Standards ("IFRS") instead of under GAAP. IFRS is a set of accounting principles that has been gaining acceptance on a worldwide basis. These standards are published by the London-based International Accounting Standards Board and are more focused on objectives and principles and less reliant on detailed rules than GAAP. Today, there remain significant and material differences in several key areas between GAAP and IFRS which would affect us. Additionally, GAAP provides specific guidance in classes of accounting transactions for which equivalent guidance in IFRS does not exist. The adoption of IFRS is highly complex and would have an impact on many aspects of us and our operations, including but not limited to financial accounting and reporting systems, internal controls, taxes, borrowing covenants and cash management. It is expected that a significant amount of time, internal and external resources and expenses over a multi-year period would be required for this conversion.

The requirements of being a public entity and sustaining growth may strain our resources.

As a public entity, we are subject to the reporting requirements of the Exchange Act and requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting, and requires our management and independent auditors to report annually on the effectiveness of our internal control over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures, significant resources and management oversight is required. We have implemented procedures and processes to address the standards and requirements applicable to public companies. If we are not able to maintain the necessary procedures and processes, we may be unable to report our financial information on a timely or accurate basis, which could subject us to adverse regulatory consequences, including sanctions by the Commission or violations of applicable NYSE listing rules, and result in a breach of the covenants under the agreements governing any of our financing arrangements. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements could also suffer if our independent registered public accounting firm were to report a material weakness in our internal controls over financial reporting. This could have a material adverse effect on us and lead to a decline in the price of our common units.

In addition, sustaining our growth also requires us to commit additional management, operational, and financial resources to identify new professionals to join the firm and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a material adverse effect on our businesses, financial condition, results of operations and cash flows.

The control of our general partner may be transferred without common unitholder consent.

Our general partner may transfer all or any part of its general partner interest without the consent of our common unitholders. Furthermore, at any time, the member of our general partner may sell or transfer all or part of its interests in our general partner without the approval of the common unitholders. A new general partner may not be willing or able to form new funds and could form funds that have investment objectives and governing terms that differ materially from those of our current funds. A new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as our track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of our existing investments, our businesses, our results of operations and our financial condition could materially suffer.

Our ability to pay distributions to our common unitholders may be limited by our holding partnership structure, applicable provisions of Delaware law and contractual restrictions or obligations.

As a holding partnership, our ability to pay distributions will be subject to the ability of our subsidiaries to provide cash to us. Ares Management, L.P. has no material assets other than investments in the Ares Operating Group entities, either directly or through direct or indirect subsidiaries. We have no independent means of generating revenues. Accordingly, we intend to cause the Ares Operating Group entities to make distributions to their members and partners, including Ares Management, L.P.'s direct or indirect subsidiaries, to fund any distributions Ares Management, L.P. may declare on the common units. If the Ares Operating Group entities make such distributions, all holders of Ares Operating Group Units will be entitled to receive equivalent distributions pro rata based on their partnership interests in the Ares Operating Group.

Because our direct subsidiary, Ares Holdings, Inc. ("AHI"), is taxable as a U.S. corporation for U.S. federal income tax purposes and is subject to entity-level income taxes and may be obligated to make payments under the tax receivable agreement, the amounts ultimately distributed by Ares Management, L.P. to common unitholders are generally expected to be less, on a per unit basis, than the amounts distributed by the Ares Operating Group to the holders of Ares Operating Group Units in respect of their Ares Operating Group Units. In addition, e ach Ares Operating Group entity has issued a series of preferred units ("GP Mirror Units") with economic terms designed to mirror those of the Series A Preferred Units . The GP Mirror Units pay the same 7.00% rate per annum to our wholly owned subsidiaries, including AHI, that we pay on our Series A Preferred Units. Although income allocated in respect of distributions on the GP Mirror Units made to AHI is subject to tax, cash distributions to holders of Series A Preferred units will not be reduced on account of any income taxes owed by AHI.

The declaration and payment of any future distributions will be at the sole discretion of our general partner, which may change our distribution policy at any time. There can be no assurance that any distributions, whether quarterly or otherwise, can or will be paid. Our ability to make cash distributions to our common unitholders depends on a number of factors, including among other things, general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and other anticipated cash needs, contractual restrictions and obligations, including fulfilling our current and future capital commitments, legal, tax and regulatory restrictions, restrictions and other implications on the payment of distributions by us to our common unitholders or by our subsidiaries to us, payments required pursuant to the tax receivable agreement and such other factors as our general partner may deem relevant.

Under the Delaware Revised Uniform Limited Partnership Act (the "Delaware Limited Partnership Act"), we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. In addition, the terms of the Credit Facility or other financing arrangements may from time to time include covenants or other restrictions that could constrain our ability to make distributions. In addition, the Ares Operating Group's cash flow may be insufficient to enable them to make required minimum tax distributions to their members and partners, in which case the Ares Operating Group may have to borrow funds or sell assets, which could have a material adverse effect on our liquidity and financial condition. Our partnership agreement contains provisions authorizing us to issue additional partnership interests that have designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to our common units on the terms and conditions determined by our general partner in its sole discretion at any time without common unitholder approval.

Furthermore, by making cash distributions rather than investing that cash in our businesses, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

We will be required to pay the TRA Recipients for most of the benefits relating to any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we receive in subsequent sales or exchanges of Ares Operating Group Units and related transactions. In certain circumstances, payments to the TRA Recipients may be accelerated and/or could significantly exceed the actual tax benefits we realize.

The holders of Ares Operating Group Units, subject to any applicable transfer restrictions and other provisions, may, on a quarterly basis, from and after May 7, 2016 (the second anniversary of the date of the closing of our initial public offering) (subject to the terms of the exchange agreement), exchange their Ares Operating Group Units for our common units on a one-for-one basis (provided that Alleghany may exchange up to half of its Ares Operating Group Units from and after the first anniversary of our initial public offering and former employees of EIF and their related parties are entitled to exchange all of their Ares Operating Group Units) or, at our option, for cash. A holder of Ares Operating Group Units must exchange one Ares Operating Group Unit in each of the three Ares Operating Group entities to effect an exchange for a common unit of Ares Management, L.P. Subsequent exchanges are expected to result in increases (for U.S. federal income tax purposes) in the tax basis of the tangible and intangible assets of the relevant Ares Operating Group entity. These increases in tax basis generally will increase (for U.S. federal income tax purposes) depreciation and amortization deductions and potentially reduce gain on sales of assets and, therefore, reduce the amount of tax that Ares Management, L.P.'s direct subsidiaries that are taxable as corporations for U.S. federal tax purposes, which we refer to as the "corporate taxpayers," would otherwise be required to pay in the future, although the IRS may challenge all or part of these deductions and tax basis increases, and a court could sustain such a challenge.

We have entered into a tax receivable agreement with certain direct and indirect holders of AOG Units (the "TRA Recipients") that provides for the payment by the corporate taxpayers to the TRA Recipients of 85% of the amount of cash tax savings, if any, in U.S. federal, state, local and foreign income tax or franchise tax that the corporate taxpayers actually realize (or are deemed to realize in the case of an early termination payment by the corporate taxpayers or a change of control, as discussed below) as a result of increases in tax basis and certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. The payments our corporate taxpayers may make to the TRA Recipients could be material in amount and we may need to incur debt to finance payments under the tax receivable agreement if our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise. Assuming that the market value of a common unit were to be equal to $19.20 per common unit, which is the closing price per common unit as of December 31, 2016, and that LIBOR were to be 1.25%, we estimate that the aggregate amount of these termination payments would be approximately $642.0 million. The foregoing amount is merely an estimate and the actual payments could differ materially.

If the IRS were to challenge a tax basis increase (or the ability to amortize such increase), the TRA Recipients will not reimburse us for any payments previously made to them under the tax receivable agreement. The corporate taxpayers' ability to achieve benefits from any tax basis increase, and the payments to be made under the tax receivable agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income. As a result, in certain circumstances, payments to the TRA Recipients under the tax receivable agreement could be in excess of the corporate taxpayers' cash tax savings.

In addition, the tax receivable agreement provides that, upon a change of control, or if, at any time, the corporate taxpayer elects an early termination of the tax receivable agreement, the corporate taxpayer's obligations under the tax receivables agreement with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control) would be based on certain assumptions, including that the corporate taxpayer would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement and, in the case of an early termination election, that any Ares Operating Group Units that have not been exchanged are deemed exchanged for the market value of the common units at the time of termination. See "Item 13. Certain Relationships and Related Transactions, and Director Independence-Tax Receivable Agreement."

Tax consequences to the direct and indirect holders of Ares Operating Group Units may give rise to conflicts of interests.

As a result of the tax gain inherent in our assets held by the Ares Operating Group at the time of this report, upon a realization event, certain direct and indirect holders of Ares Operating Group Units may incur different and potentially significantly greater tax liabilities as a result of the disproportionately greater allocations of items of taxable income and gain to such holders. As these direct and indirect holders will not receive a corresponding greater distribution of cash proceeds, they may, subject to applicable fiduciary or contractual duties, have different objectives regarding the appropriate pricing, timing and other material terms of any sale, refinancing, or disposition, or whether to sell such assets at all. Decisions made with respect to an acceleration or deferral of income or the sale or disposition of assets with unrealized built-in tax gains may also influence the timing and amount of payments that are received by the TRA Recipients (including, among others, the Holdco Members and other executive officers) under the tax receivable agreement. In general, we anticipate that earlier disposition of assets with unrealized built-in tax gains following such exchange will tend to accelerate such payments and increase the present value of the tax receivable agreement, and disposition of assets with unrealized built-in tax gains before an exchange generally will increase an exchanging holder's tax liability without giving rise to any rights to any payments under the tax receivable agreement. Decisions made regarding a change of control also could have a material influence on the timing and amount of payments received by the TRA Recipients pursuant to the tax receivable agreement.

We are a limited partnership and as a result will qualify for and intend to rely on exceptions from certain corporate governance and other requirements under the rules of the NYSE.

We are a limited partnership and qualify for exceptions from certain corporate governance and other requirements of the rules of the NYSE. Pursuant to these exceptions, limited partnerships may elect not to comply with certain corporate governance requirements of the NYSE, including the requirements that (i) a majority of the board of directors of our general partner consist of independent directors, (ii) we have a nominating/corporate governance committee that is composed entirely of independent directors, (iii) we have a compensation committee that is composed entirely of independent directors and (iv) the compensation committee consider certain independence factors when engaging compensation consultants, legal counsel and other committee advisers. In addition, we are not required to hold annual meetings of our common unitholders. We have availed ourselves of these exceptions. Accordingly, holders of our common units do not have the same protections afforded to equityholders of entities that are subject to all of the corporate governance requirements of the NYSE.

We are a Delaware limited partnership, and there are certain provisions in our partnership agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law in a manner that may be less protective of the interests of our unitholders.

Our partnership agreement provides that to the fullest extent permitted by applicable law the directors and officers of our general partner will not be liable to us unless they act in bad faith or with criminal intent. However, under the Delaware General Corporation Law, a director or officer would be liable to us for (i) breach of duty of loyalty to us or our equityholders, (ii) intentional misconduct or knowing violations of the law that are not done in good faith, (iii) improper redemption of units or declaration of dividend or (iv) a transaction from which the director derived an improper personal benefit. In addition, our partnership agreement provides that we indemnify the directors and officers of our general partner for acts or omissions to the fullest extent provided by law unless they act in bad faith or with criminal intent. However, under the Delaware General Corporation Law, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful. Accordingly, our partnership agreement is less protective of the interests of our common unitholders, when compared to the Delaware General Corporation Law, insofar as it relates to the exculpation and indemnification of officers and directors.

Risks Related to Our Preferred and Common Units

The market price and trading volume of our common units may be volatile, which could result in rapid and substantial losses for our common unitholders.

The market price of our common units may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our common units may fluctuate and cause significant price variations to occur. If the market price of our common units declines significantly, holders of our common units may be unable to resell their common units at or above their purchase price, if at all. The market price of our common units may fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our common units or result in fluctuations in the price or trading volume of our common units include:

- variations in our quarterly operating results or distributions, which variations we expect will be substantial;
- our policy of taking a long-term perspective on making investment, operational and strategic decisions, which is expected to result in significant and unpredictable variations in our quarterly returns;
- failure to meet analysts' earnings estimates;
- publication of research reports about us or the investment management industry or the failure of securities analysts to cover our common units;
- additions or departures of our senior professionals and other key management personnel;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- changes in market valuations of similar companies;
- speculation in the press or investment community;
- changes or proposed changes in laws or regulations or differing interpretations thereof affecting our businesses or enforcement of these laws and regulations, or announcements relating to these matters;
- a lack of liquidity in the trading of our common units;
- announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;
- adverse publicity about the asset management industry generally or, more specifically, private equity fund practices or individual scandals; and
- general market and economic conditions.

In the past few years, stock markets have experienced extreme price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against public companies. This type of litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

The tax attributes of our common units may cause mutual funds to limit or reduce their holdings of common units.

U.S. mutual funds that are treated as regulated investment companies ("RICs") for U.S. federal income tax purposes generally are required, among other things, to distribute at least 90% of their investment company taxable income to their shareholders to maintain their favorable U.S. income tax status. RICs generally are required to meet this distribution requirement regardless of whether their investments generate cash distributions equal to their taxable income. Accordingly, these investors have a strong incentive to invest in securities in which the amount of cash generated is at least equal to the amount of taxable income recognized. Our common unitholders, however, may be allocated an amount of income and gain for U.S. federal income tax purposes that exceeds the amount of cash we distribute to them. Additionally, for non-U.S. investors in RICs, certain complex rules may limit the benefits of investing in a RIC to the extent that such RIC's holdings include our common units. This may make it difficult for RICs to maintain a meaningful portion of their portfolio in our common units and may force those RICs that do hold our common units to sell all or a portion of their holdings of our common units. These actions could increase the supply of, and reduce the demand for, our common units, which could cause the price of our common units to decline.

An investment in our common units is not an investment in any of our funds, and the assets and revenues of our funds are not directly available to us.

Common unitholders will not directly participate in the performance of our underlying funds, and any benefits from such performance will directly inure to investors in those funds. Our common units are securities of Ares Management, L.P. only. While our historical consolidated financial information includes financial information, including assets and revenues, of our funds on a consolidated basis, and our future financial information will continue to consolidate certain of these funds, such assets and revenues are available to the fund and not to us except to a limited extent through management fees, performance fees, distributions and other proceeds arising from agreements with funds, as discussed in more detail in this report.

The market price of our common units may decline due to the large number of common units eligible for exchange and future sale.

The market price of our common units could decline as a result of sales of a large number of common units in the market in the future or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell common units in the future at a time and at a price that we deem appropriate. Subject to the lock-up restrictions described below, we may issue and sell in the future additional common units.

As of December 31, 2016, our senior professional owners owned, indirectly, an aggregate of 117,928,313 Ares Operating Group Units. We have entered into an exchange agreement with the holders of Ares Operating Group Units so that such holders, subject to any applicable transfer and other restrictions, may up to four times each year from and after May 7, 2016 (the second anniversary of the date of our initial public offering) (subject to the terms of the exchange agreement) exchange their Ares Operating Group Units for our common units on a one-for-one basis (provided that Alleghany may exchange all of its Ares Operating Group Units from and after May 7, 2016), subject to customary conversion rate adjustments for splits, unit distributions and reclassifications, or, at our option, for cash. A holder of Ares Operating Group Units must exchange one Ares Operating Group Unit in each of the three Ares Operating Group entities to effect an exchange for a common unit of Ares Management, L.P. The common units we issue upon such exchanges would be "restricted securities," as defined in Rule 144 under the Securities Act, unless we register such issuances.

Ares Owners Holdings L.P., ADIA and Alleghany (together with ADIA, the "Strategic Investors") have the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act common units delivered in exchange for Ares Operating Group Units or common units of Ares Management, L.P. otherwise held by them. In addition, we may be required to make available shelf registration statements permitting sales of common units into the market from time to time over an extended period. Lastly, Ares Owners Holdings L.P. and the Strategic Investors will have the ability to exercise certain piggyback registration rights in respect of common units held by them in connection with registered offerings requested by other registration rights holders or initiated by us. See "Item 13. Certain Relationships and Related Transactions, and Director Independence-Investor Rights Agreement." See "Item 11. Executive Compensation-Director Compensation-Common Units and Ares Operating Group Units." However, transfers may occur notwithstanding such restrictions pursuant to transactions or programs approved by our general partner.

Under our 2014 Equity Incentive Plan, we have granted options to purchase 24,835,227 common units and 4,936,051 restricted units to be settled in common units, which are subject to specified vesting requirements, to certain of our senior professionals. During the course of 2016, awards representing 2,367,560 common units were forfeited and became available for issuance under the 2014 Equity Incentive Plan. As of December 31, 2016, 30,397,280 additional common units were available for award under our 2014 Equity Incentive Plan. We have filed two registration statements and intend to file more registration statements on Form S-8 with the Commission covering the common units issuable under our 2014 Equity Incentive Plan. Subject to vesting and contractual lock-up arrangements (including through May 1, 2019 for restricted units granted in connection with our initial public offering.), upon effectiveness of the relevant registration statement on Form S-8, such common units are freely tradable.

In addition, our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions determined by our general partner in its sole discretion without the approval of any limited partners. In accordance with the Delaware Limited Partnership Act and the provisions of our partnership agreement, we may also issue additional partnership interests that have certain designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to our common and Series A Preferred units. Similarly, the governing agreements of the Ares Operating Group entities authorize the direct subsidiaries of Ares Management, L.P. which are the general partners of those entities to issue an unlimited number of additional units of the Ares Operating Group entity with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the Ares Operating Group Units, and which may be exchangeable for our common units.

We cannot assure holders of our common units that our intended distributions will be paid each quarter or at all.

Our intention is to distribute to our common unitholders on a quarterly basis substantially all of Ares Management, L.P.'s share of distributable earnings, net of applicable corporate taxes and amounts payable under the tax receivable agreement, in excess of amounts determined by our general partner to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable law, any of our debt instruments or other agreements or to provide for future distributions to our common unitholders for any ensuing quarter, subject to a base quarterly distribution in a target range of 80% to 90% of distributable earnings. The declaration, payment and determination of the amount of quarterly distributions, if any, will be at the sole discretion of our general partner, which may change our distribution policy at any time. We cannot assure our common unitholders that any distributions, whether quarterly or otherwise, can or will be paid. In making decisions regarding our quarterly distribution, our general partner considers general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and other anticipated cash needs, contractual restrictions and obligations, legal, tax, regulatory and other restrictions that may have implications on the payment of distributions by us to our common unitholders or by our subsidiaries to us, and such other factors as our general partner may deem relevant.

Distributions on the Series A Preferred Units are discretionary and non-cumulative.

Distributions on the Series A Preferred Units are discretionary and non-cumulative. Holders of our Series A Preferred Units will only receive distributions when, as and if declared by the board of directors of our general partner. Consequently, if the board of directors of our general partner does not authorize and declare a distribution for a distribution period, holders of the Series A Preferred Units would not be entitled to receive any distribution for such distribution period, and such unpaid distribution will not be payable in such distribution period or in later distribution periods. We will have no obligation to pay distributions for a distribution period if the board of directors of our general partner does not declare such distribution before the scheduled record date for such period, whether or not distributions are declared or paid for any subsequent distribution period with respect to the Series A Preferred Units or any other preferred units we may issue. This may result in holders of the Series A Preferred Units not receiving the full amount of distributions that they expect to receive, or any distributions, and may make it more difficult to resell Series A Preferred Units or to do so at a price that the holder finds attractive. The board of directors of our general partner may, in its sole discretion, determine to suspend distributions on the Series A Preferred Units, which may have a material adverse effect on the market price of the Series A Preferred Units. There can be no assurances that our operations will generate sufficient cash flows to enable us to pay distributions on the Series A Preferred Units. Our financial and operating performance is subject to prevailing economic and industry conditions and to financial, business and other factors, some of which are beyond our control.

Risks Related to Taxation

The U.S. Congress has considered legislative proposals that, if enacted, would subject us to U.S. federal income tax as a corporation on our net income which would materially increase our U.S. federal income tax liability, could materially reduce the amount available for distribution to unitholders and would materially alter the tax considerations in connection with an investment in, the ownership of and the disposition of our units.

On several occasions in recent years, the U.S. Congress has considered legislative proposals that, if enacted, would repeal the exception from taxation as a corporation currently available to certain publicly traded partnerships. Enactment of any such legislation likely would materially increase our entity-level tax liability, and therefore reduce amounts otherwise available for us to distribute to holders of our units. In addition, if we were treated as a corporation for U.S. federal income tax purposes, ownership of our units would have the same U.S. federal income tax considerations as ownership of stock of a corporation. As a result, any such proposal that is ultimately enacted into law would materially alter the U.S. federal income tax considerations in connection with an investment in, the ownership of and the disposition of our units. As of the date of this report, it is not possible to predict if, whether or when any proposal previously introduced, or a similar proposal, might be enacted, in what form or with what effective date. Investors should discuss with their own tax advisors the possibility that we might cease to be treated as a partnership for

U.S. federal income tax purposes and other possible changes in tax law.

Over the past several years, there have been legislative proposals that, if enacted, would tax certain unitholders with respect to certain of our income and gains at increased rates. If such legislation, or similar legislation, were to be enacted, a substantial portion of our income, as well as gain from the disposition of units, could be taxed at a higher rate to certain unitholders.

Over the past several years, there have been proposals by both Congress and the executive branch, as well as from states and other jurisdictions, that, if enacted, generally would cause, among other things, some or all of a partner's share of certain partnership income and certain income realized upon a disposition of partnership interests, that, in each case, otherwise would be treated as long-term capital gains for U.S. federal income tax purposes to be recharacterized as ordinary income, and therefore potentially subject to a higher rate of U.S. federal income tax (or higher state or local tax rates). It is unclear when or whether Congress will pass such legislation or what provisions will be included in any legislation, if enacted.

Some legislative and administrative proposals have provided that, for taxable years beginning after the date of enactment (or, in some cases, beginning ten years after the date of enactment), income derived with respect to carried interest would not meet the qualifying income requirements under publicly traded partnership rules. Therefore, if similar legislation is enacted, following such enactment (or such ten-year period), we would be precluded from qualifying as a partnership for U.S. federal income tax purposes. In addition, the IRS and the Treasury Department have issued proposed regulations that could have implications with respect to whether certain types of income inclusions under current anti-deferral regimes may consist of qualifying income to us, if the inclusion is not accompanied by an actual cash distribution. If we were taxed as a U.S. corporation, our effective tax rate would increase significantly. The federal statutory tax rate for corporations is currently 35%. In addition, we could be subject to increased state and local taxes. Furthermore, unitholders could be subject to tax on our conversion into a corporation. As of the date of this report, it is not possible to predict whether or when any proposal previously introduced, or a similar proposal, might be enacted, in what form or with what effective date. If such proposals, or similar proposals, were to be enacted, the tax liability of certain of our unitholders could increase significantly and our ability to fund cash distributions could be reduced.

Additional proposed changes in the U.S. and foreign taxation of businesses could adversely affect us.

Most recently, members of Congress and the Trump administration have raised reform proposals that would dramatically change the U.S. federal tax system. These proposals would meaningfully reduce individual and corporate tax rates and under one or more of those proposals, would convert the federal income tax system into a "destination-based cash flow" tax system, under which, net interest expense would not be deductible, investment in tangible property and intangible assets (other than land) would be immediately deductible, export revenue would not be taxable, and the cost of imports would not be deductible. We cannot predict whether and to what extent these proposals, or any other legislative or administrative changes, if and when enacted, could affect the value of any investments made by us, and the tax consequences to us and our unitholders; however, such consequences could be significant.

Congress, HM Treasury, the OECD and other government agencies in jurisdictions where we and our affiliates invest or do business have maintained a focus on issues related to the taxation of businesses, including multinational entities. The OECD, which represents a coalition of member countries, has issued guidance through its BEPS project that contemplates changes to longstanding international tax norms that determine each country's jurisdiction to tax cross-border international trade and profits. On June 29, 2016, the Treasury Department and the IRS issued final regulations that would require the parent entity of certain U.S. multinational enterprise groups to file an annual report that would provide information on a country-by-country basis related to the group's income and taxes paid. These changes in law or guidance and additional proposals for reform, if enacted by the United States or by other countries in which we or our affiliates invest or do business or, even if not enacted, could adversely affect our investment returns, including by increasing our tax compliance costs. Whether these or other proposals will be enacted by the United States or any foreign jurisdiction and in what form is unknown, as are the ultimate consequences of any such proposed legislation.

Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. federal income tax treatment of our unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Additionally, changes to the U.S. federal income tax laws and interpretations thereof could make it more difficult or impossible to satisfy the requirements for us to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation, affect or cause us to change our investments and commitments, affect the tax considerations of an investment in us, change the character or treatment of portions of our income and adversely affect an investment in our units. Additionally, our organizational documents and governing agreements permit our general partner to modify our partnership agreement from time to time, without the consent of our unitholders, to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all of our unitholders.

If, pursuant to the Bipartisan Budget Act of 2015 (the "2015 Act"), any audit by the IRS of our income tax returns for any fiscal year beginning after December 31, 2017 results in any adjustments, the IRS may collect any resulting taxes, including any applicable penalties and interest, directly from us, in which case the cash available for distributions to our unitholders may be substantially reduced.

Under current law, when the IRS audits a partnership tax return, the IRS generally determines tax adjustments at the partnership level, but is required to collect any additional taxes, interest and penalties from each of the partners. The 2015 Act changed this procedure for partnership tax audits and audit adjustments for partnership returns for fiscal years beginning after December 31, 2017.

Pursuant to the 2015 Act, if any audit by the IRS of our income tax returns for any fiscal year beginning after December 31, 2017 results in any adjustments, the IRS may collect any resulting taxes, including any applicable penalties and interest, directly from us. Generally, we will have the ability to collect such tax liability from our unitholders in accordance with their interests in us during the year under audit, but there can be no assurance that we will elect to do so or be able to do so under all circumstances. If we do not collect such tax liability from our unitholders in accordance with their interests in us in the tax year under audit, our available cash for quarterly distributions to current unitholders may be substantially reduced. Accordingly, our common unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such unitholders did not own units during the tax year under audit.

In January 2017, the IRS issued proposed regulations that implement the provisions of the 2015 Act. These regulations, however, have been withdrawn in response to a freeze on the publication of new regulations effected by the Trump administration.

If we were treated as a corporation for U.S. federal income tax or state tax purposes, then the amount available for distribution to our unitholders would be substantially reduced and the value of our units would be adversely affected.

An entity that would otherwise be classified as a partnership for U.S. federal income tax purposes may nonetheless be treated as, and taxable as, a corporation if it is a "publicly traded partnership" unless an exception to such treatment applies. An entity that would otherwise be classified as a partnership is a publicly traded partnership if interests in the entity are traded on an established securities market or interests in the entity are readily tradable on a secondary market or the substantial equivalent thereof, and we believe we are publicly traded for this purpose. However, a publicly traded partnership can avoid being treated as a corporation by satisfying the "Qualifying Income Exception," which requires at least 90% of such entity's gross income (determined under specific tax rules) for every taxable year that it is a publicly traded partnership consist of qualifying income (which generally includes certain interest income, dividends, real property rents, gains from the sale or other disposition of real property, and gain from the sale or disposition of a capital asset or other property held for the production of income that otherwise constitutes qualifying income), and the entity must not be required to register under the Investment Advisers Act. We intend to manage our affairs so that we will meet the Qualifying Income Exception in 2017 and each succeeding taxable year to be treated as a partnership and not as a corporation for U.S. federal income tax purposes.

If we failed to meet the requirements described above and, as a result, we were treated as a corporation for U.S. federal income tax purposes in any taxable year, we would be subject to U.S. corporate income tax on our U.S. taxable income at regular corporate rates and our cash available for distribution would be reduced. Accordingly, our being treated as a corporation for U.S. federal income tax purposes could materially reduce our unitholders' after-tax return and thus could substantially reduce the value of our units.

Our common unitholders will be required to take into account their allocable share of our taxable income and gain, regardless of whether they receive any cash distributions from us.

As long as we are treated for U.S. federal income tax purposes as a partnership, and not as a publicly traded partnership taxable as a corporation, our common unitholders will be required to take into account their allocable share of our items of income, gain, loss, deduction and credit on an annual basis in calculating their U.S. federal income taxable income.

As a result, our common unitholders may be subject to U.S. federal income tax on their allocable share of our items of income, gain, loss, deduction and credit (including our allocable share of those items of any entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow through basis) for each of our taxable years ending with or within their taxable years, regardless of whether or not our common unitholders receive cash distributions from us. Additionally, our common unitholders may not receive cash distributions equal to their allocable share of our net taxable income or gain, or even the amount of their U.S. federal, state and local income tax liability that results from that income or gain. Also, certain of our holdings, such as stock in a controlled foreign corporation or a passive foreign investment company or an entity that is fiscally transparent or a financial conduit for U.S. federal income tax purposes, may produce taxable income prior to the receipt of cash relating to such income, and common unitholders that are U.S. taxpayers generally will be required to take such income into account in determining their U.S. federal taxable income. In the event of an inadvertent termination of our partnership status, and provided that the IRS were to grant to us limited relief available under statute, each holder of our common units would be obligated to make adjustments as required by the IRS to maintain our status as a partnership. In such a circumstance, such adjustments may require persons holding our common units to recognize additional amounts of taxable income in respect of the taxable years to which such allocations applied.

If the amount of distributions on the Series A Preferred Units is greater than our gross ordinary income, then the amount that a holder of Series A Preferred Units would receive upon liquidation may be less than the Preferred Unit Liquidation Value.

In general, to the extent of our gross ordinary income in any taxable year, we will specially allocate to the Series A Preferred Units items of our gross ordinary income in an amount equal to the distributions paid in respect of the Series A Preferred Units during the taxable year. Allocations of gross ordinary income will increase the capital account balance of the holders of the Series A Preferred Units. Distributions will correspondingly reduce the capital account balance of the holders of the Series A Preferred Units. So long as our gross ordinary income equals or exceeds the distributions paid to the holders of the Series A Preferred Units, the capital account balance of the holders of Series A Preferred Units will equal the sum of the $25.00 liquidation preference per Series A Preferred Unit and declared and unpaid distributions, if any, to, but excluding, the date we liquidate, dissolve or wind up (the “Preferred Unit Liquidation Value”) at the end of each taxable year. If the distributions paid in respect of the Series A Preferred Units during a taxable year exceed the amount of our gross ordinary income for such year, however, the capital account balance of the holders of the Series A Preferred Units will be reduced below the Preferred Unit Liquidation Value by the amount of such excess. In that event, to the extent of our gross ordinary income in any taxable year, we will allocate additional gross ordinary income in subsequent years until such excess is eliminated. If we were to have insufficient gross ordinary income to eliminate such excess, holders of Series A Preferred Units would be entitled, upon our liquidation, dissolution or winding up, to less than the Preferred Unit Liquidation Value. In addition, if we make additional allocations of gross ordinary income in a taxable year to eliminate such excess from prior years, the gross ordinary income allocated to holders of the Series A Preferred Units in such taxable year would exceed the distributions paid to the Series A Preferred Units during such taxable year. In such years, holders of Series A Preferred Units would recognize taxable income in excess of our cash distributions, which could give rise to a tax liability for such holders that must be satisfied from sources other than our cash distributions.

Unitholders will be subject to state and local taxes and return filing requirements as a result of owning our units.

In addition to U.S. federal income taxes, our unitholders may be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes, that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if our common unitholders do not reside in any of those jurisdictions. Our unitholders may be required to file state and local income tax returns in some or all of these jurisdictions and may be required to pay state and local income taxes in some or all of these jurisdictions. Further, unitholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each unitholder to file all U.S. federal, state and local tax returns that may be required of such common unitholder.

Certain of our businesses are held through entities treated as corporations for U.S. federal income tax purposes, which will reduce the amount available for distributions to holders of our common units in respect of such investments and could adversely affect the value of our common unitholders’ investment.

To comply with the publicly traded partnership rules under U.S. federal income tax law and other requirements, we hold our interest in certain of our businesses through AHI and Ares Offshore Holdings Ltd., which are treated as corporations for U.S. federal income tax purposes, and may hold additional interests in other businesses through other entities treated as corporations. Such corporations could be liable for significant U.S. federal income taxes and applicable state and local taxes that would not otherwise be incurred, which could reduce the amount of cash available for distributions to holders of our common units and adversely affect the value of their investment.

In addition, the GP Mirror Units pay the same 7.00% rate per annum to our wholly owned subsidiaries, including AHI, that we pay on our Series A Preferred Units. Although income allocated in respect of distributions on the GP Mirror Units made to AHI is subject to tax, cash distributions to holders of Series A Preferred units will not be reduced on account of any income taxes owed by AHI.

Tax gain or loss on disposition of our common units could be more or less than expected.

If our common unitholders sell their common units, they will generally recognize a taxable gain or loss equal to the difference between the amount realized and their adjusted tax basis in those common units. Prior distributions to our common unitholders in excess of the total net taxable income allocated to them, which decreased the tax basis in their common units, will in effect become taxable income or gain to the holders of our common units if the common units are sold at a price greater than the unitholder's tax basis in those common units, even if the price is less than the original cost. A portion of the amount realized, whether or not representing gain, may be ordinary income to the common unitholder.

Because we do not intend to make, or cause to be made, an otherwise available election under Section 754 of the Internal Revenue Code to adjust our asset basis or the asset basis of certain of the Ares Operating Group entities, a holder of units could be allocated more taxable income in respect of those units prior to disposition than if we had made such an election.

We have not made and currently do not intend to make, or cause to be made, an election to adjust asset basis under Section 754 of the Internal Revenue Code with respect to us or Ares Investments L.P. If no such election is made, there generally will be no adjustment to the basis of the assets of Ares Investments L.P. upon our acquisition of interests in Ares Investments L.P., or to our assets or to the assets of Ares Investments L.P. upon a subsequent transferee's acquisition of units from a prior holder of such units, even if the purchase price for those interests or units, as applicable, is greater than the share of the aggregate tax basis of our assets or the assets of Ares Investments L.P. attributable to those interests or units immediately prior to the acquisition. Consequently, upon a sale of an asset by us or Ares Investments L.P., gain allocable to a holder of units could include built-in gain in the asset existing at the time we acquired those interests, or such holder acquired such units, which built-in gain would otherwise generally be eliminated if we had made a Section 754 election.

Our units may not be uniform, which could result in IRS examination of our tax returns and the tax returns of our unitholders, and could have a negative impact on the value of our unitholder's investment.

We cannot match transferors and transferees of our units, and as a result we will adopt depreciation, amortization and other tax accounting positions that may not conform to all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our unitholders, and could affect the timing of these tax benefits or the amount of gain on the sale of our units. This could have a negative impact on the value of our common units or result in audits of and adjustments to our U.S. federal tax returns and the tax returns of our unitholders.

In addition, our taxable income and losses will be determined and apportioned among investors using conventions we regard as consistent with applicable law. As a result, if our unitholders transfer their units, they may be allocated income, gain, loss and deduction realized by us after the date of transfer. Similarly, a transferee may be allocated income, gain, loss and deduction realized by us prior to the date of the transferee's acquisition of our units. A transferee may also bear the cost of withholding tax imposed with respect to income allocated to a transferor through a reduction in the cash distributed to the transferee.

The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for U.S. federal income tax purposes.

The sale or exchange of 50% or more of our capital and profit interests within a 12-month period will result in the termination of our partnership for U.S. federal income tax purposes. Our termination would, among other things, result in the closing of our taxable year for all unitholders and may result in more than 12 months of our taxable income or loss being includable in the holder's taxable income for the year of termination. A termination could also result in penalties if we were unable to determine that the termination had occurred.

Non-U.S. persons could face different U.S. tax issues from owning units than U.S. persons, and such differences may result in adverse tax consequences to them.

Some of our investment activities may cause us to be engaged in a U.S. trade or business for U.S. federal income tax purposes, in which case some portion of our income would be treated as effectively connected income ("ECI") with respect to a non-U.S. Holders. A "non-U.S. Holder" is a beneficial owner of the units that is not a U.S. Holder (generally, a common unitholder that is a "United States person" within the meaning of Section 7701(a)(30) of the Code) and is not an entity treated as a partnership for U.S. federal income tax purposes. Moreover, dividends received from an investment that we make in a REIT that are attributable to gains from the sale of U.S. real property interests and sales of certain investments in interests in U.S. real property, including stock of certain U.S. corporations owning significant U.S. real property, may be treated as ECI with respect to non-U.S. Holders that are not qualified pension plans, entities wholly owned by qualified pension plans or certain foreign publicly traded entities. In addition, certain income of non-U.S. Holders from U.S. sources not connected to any such U.S. trade or business conducted by us could be treated as ECI. To the extent our income is treated as ECI, non-U.S. Holders generally would be subject to withholding tax on their allocable shares of such income, would be required to file a U.S. federal income tax return for such year reporting their allocable shares of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income. Non-U.S. Holders that are treated as corporations for U.S. federal income tax purposes may also be subject to a 30% branch profits tax on their allocable share of such income. In addition, certain income from U.S. sources that is not ECI allocable to non-U.S. Holders will be reduced by withholding taxes imposed at the highest effective applicable tax rate. Finally, if we are treated as being engaged in a U.S. trade or business, a portion of any gain recognized by non-U.S. unitholders on the sale or exchange of units may be treated for U.S. federal income tax purposes as ECI, and hence such non-U.S. unitholders could be subject to U.S. federal income tax on the sale or exchange of units.

Generally, under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") provisions of the Code, certain non-U.S. persons are subject to U.S. federal income tax in the same manner as U.S. persons on any gain realized on the disposition of an interest, other than an interest solely as a creditor, in U.S. real property. In December 2015, the Protecting Americans from Tax Hikes Act of 2015 was signed into law providing some exemptions from FIRPTA tax for certain types of non-U.S. persons. An interest in U.S. real property includes stock in a U.S. corporation (except for certain stock of publicly traded U.S. corporations) if interests in U.S. real property constitute 50% or more by value of the sum of the corporation's assets used in a trade or business, its U.S. real property interests and its interests in real property located outside the United States (a "USRPHC"). The FIRPTA tax applies to certain non-U.S. holders holding an interest in a partnership that realizes gain in respect of an interest in U.S. real property or an interest in a USRPHC. We may, from time to time, make certain investments (other than direct investments in U.S. real property), for example, through one of our investment funds held by Ares Investments that could constitute investments in U.S. real property or USRPHCs. If we make such investments certain non- U.S. holders will be subject to U.S. federal income tax under FIRPTA on such holder's allocable share of any gain we realize on the disposition of a FIRPTA interest and will be subject to the tax return filing requirements regarding ECI discussed above.

Non-U.S. persons may face adverse tax consequences in their countries of residence from owning units.

Ares Management, L.P. will own interests in one or more entities in which no member has unlimited liability and which is treated as a fiscally transparent pass-through entity for U.S. federal income tax purposes, or a "hybrid entity," such as a limited liability company. It is possible that a non-U.S. jurisdiction will treat such a hybrid entity as fiscally opaque. In that case, a non-U.S. Holder could be subject to different results in respect of timing and character of income and gain recognition, as well as the availability of losses, credits or deductions, including in respect of any taxes paid or deemed paid by or on behalf of the non-U.S. Holder, in such non-U.S. jurisdiction.

Tax-exempt entities face special U.S. federal income tax issues from owning units that may result in adverse tax consequences to them.

A tax-exempt partner of a partnership generally must include in computing its "unrelated business taxable income" ("UBTI") its pro rata share (whether or not distributed) of such partnership's gross income derived from a trade or business conducted by such partnership which is unrelated to the exempt function of the tax-exempt partner. Moreover, a tax-exempt partner of a partnership could be treated as earning UBTI to the extent that such partnership derives income from "debt-financed property," or if the partnership interest itself is debt financed. Debt-financed property means property held to produce income with respect to which there is "acquisition indebtedness" (i.e., indebtedness incurred in acquiring or holding property). We are under no obligation to minimize UBTI, and a U.S. Holder of our units that is a tax-exempt organization for U.S. federal income tax purposes and, therefore, generally exempt from U.S. federal income taxation, may be subject to "unrelated business income tax" to the extent, if any, that its allocable share of our income consists of UBTI.

We may not be able to furnish to each unitholder specific tax information within 90 days after the close of each calendar year, which means that our unitholders who are U.S. taxpayers may anticipate the need to file annually a request for an extension of the due date of their income tax return. In addition, it is possible that unitholders who are otherwise required to file U.S. federal income tax returns may be required to file amended income tax returns.

We have agreed to furnish to each unitholder, as soon as reasonably practicable after the close of each taxable year, tax information (including Schedule K-1), which describes on a U.S. dollar basis such holder's share of our taxable income, gain, loss, deduction and credit for our preceding taxable year. It may require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities. Consequently, holders of our units who are U.S. taxpayers or otherwise required to file U.S. tax returns may need to file annually with the IRS (and, if applicable, certain states) a request for an extension past the applicable due date of their income tax return for the taxable year. In addition, each unitholder generally is required to file U.S. federal and state tax returns consistently with the information provided by us for the taxable year for all relevant tax purposes. In preparing this information, we will use various accounting and reporting conventions, some of which have been mentioned in the previous discussion, to determine such holder's share of income, gain, loss, deduction and credit. The IRS or state tax authorities may successfully contend that certain of these reporting conventions are impermissible, which could result in an adjustment to such holder's income or loss and could result in an increase in overall tax due. Additionally, we may be audited by taxing authorities from time to time. Adjustments resulting from a tax audit may require a holder to adjust a prior year's tax liability and possibly may result in an audit of such holder's own tax return. Any audit of such holder's tax return could result in adjustments not related to our tax returns as well as those related to our tax returns, and could result in an increase in overall tax due.

We may hold or acquire certain investments through entities classified as PFICs or CFCs for U.S. federal income tax purposes.

Certain of our investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. federal income tax purposes. Such an entity may be a passive foreign investment company (a "PFIC") or a controlled foreign corporation (a "CFC") for U.S. federal income tax purposes. U.S. holders of units considered to own an interest in a PFIC or a CFC may experience adverse U.S. federal and state income tax consequences and significantly more complex filing obligations.

Applicable U.S. tax law could adversely affect our ability to raise funds from certain foreign investors.

Under Sections 1471 to 1474 of the Code (such Sections, along with the Treasury Regulations promulgated thereunder, commonly referred to as the Foreign Account Tax Compliance Act or "FATCA"), a broadly defined class of foreign financial institutions are required to comply with a U.S. tax reporting regime or be subject to certain U.S. withholding taxes. The reporting obligations imposed under FATCA require foreign financial institutions to enter into agreements with the IRS to obtain and disclose information about certain account holders and investors to the IRS (or in the case of certain foreign financial institutions that are resident in a jurisdiction that has entered into an intergovernmental agreement (the "IGA") to implement this legislation, to comply with comparable non-U.S. laws implementing the IGA). Additionally, certain non-U.S. entities that are not foreign financial institutions are required to provide certain certifications or other information regarding their U.S. beneficial ownership or be subject to certain U.S. withholding taxes under FATCA. Failure to comply with these requirements could expose us and/or our investors to a 30% withholding tax on certain U.S. payments (and beginning in 2019, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities), and possibly limit our ability to open bank accounts and secure funding in the global capital markets. There are uncertainties regarding the implementation of FATCA and it is difficult to determine at this time what impact any future administrative guidance may have. The administrative and economic costs of compliance with FATCA may discourage some foreign investors from investing in U.S. funds, which could adversely affect our ability to raise funds from these investors or reduce the demand for our units. Moreover, we expect to incur additional expenses related to our compliance with FATCA, which could increase our tax compliance costs generally. Other countries, such as the United Kingdom and the Cayman Islands, have implemented regimes similar to that of FATCA.

Certain U.S. holders of units are subject to additional tax on " net investment income. "

U.S. holders of units that are individuals, estates or trusts are subject to a Medicare tax of 3.8% on "net investment income" (or undistributed "net investment income," in the case of estates and trusts) for each taxable year, with such tax applying to the lesser of such income or the excess of such person's adjusted gross income (with certain adjustments) over a specified amount. Net investment income includes net income from interest, dividends, annuities, royalties and rents and net gain attributable to the disposition of investment property. It is anticipated that net income and gain attributable to an investment in our units will be included in U.S. holder's "net investment income" subject to this Medicare tax.

Items of deductions or losses may be adjusted (including by reallocation to other Ares Operating Group entities) or disallowed in a manner that could materially increase the tax liability of our direct subsidiaries that are treated as corporations for U.S. federal income tax purposes, in particular AHI.

While we have and will continue to allocate items of deductions or losses in good faith and in accordance with our expense allocation policy or practice in effect from time to time, there is no guarantee that our policies or practices will not be challenged by the IRS or state taxing authorities. If the IRS or state taxing authorities were to determine that we have improperly allocated such items of deductions or losses among the Ares Operating Group entities, such items of deductions or losses could be adjusted (including by reallocation to other Ares Operating Group entities) or disallowed in a manner that could materially increase the tax liability of our direct subsidiaries that are treated as corporations for U.S. federal income tax purposes, in particular AHI.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located in leased office space at 2000 Avenue of the Stars, 12 th Floor, Los Angeles, California. We also lease office space in Atlanta, Chicago, Dallas, New York City, Washington, D.C., St. Louis, Dubai, Frankfurt, London, Luxembourg, Paris, Stockholm, Chengdu, Hong Kong, Shanghai, Sydney , Mill Valley, Needham, Tarrytown, and Williamsville. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our businesses.

Item 3. Legal Proceedings

From time to time we are involved in various legal proceedings, lawsuits and claims incidental to the conduct of our business, some of which may be material. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us.

Item 4. Mine Safety Disclosures

None.

PART II.

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities

Market Information

Our common units representing limited partner interests in Ares Management, L.P. are traded on the NYSE under the symbol "ARES." Our common units began trading on the NYSE on May 2, 2014.

The following table sets forth the high and low intra-day sales prices per unit of our common units, for the periods indicated, as reported by the NYSE.

	Sales Price			
	2016		2015	
	High	Low	High	Low
First Quarter	$ 15.50	$ 10.76	$ 21.27	$ 15.88
Second Quarter	$ 15.96	$ 12.08	$ 21.84	$ 17.40
Third Quarter	$ 19.54	$ 13.81	$ 20.13	$ 15.12
Fourth Quarter	$ 19.20	$ 14.75	$ 18.16	$ 12.33

The number of holders of record of our common units as of February 21, 2017 was 3. This does not include the number of unitholders that hold shares in "street name" through banks or broker-dealers.

The table below presents purchases made by or on behalf of Ares Management, L.P. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common units during each of the indicated periods.

Period	Total Number of Common Units Purchased(1)	Average Price Paid Per Common Unit	Total Number of Common Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Common Units That May Yet Be Purchased Under the Plan or Program
October 1 to October 31, 2016	—	$ —	—	—
November 1 to November 30, 2016	—	$ —	—	—
December 1 to December 31, 2016	—	$ —	—	—

Distribution Policy for Preferred Equity

In June 2016, we issued preferred equity consisting of 12,400,000 units designated as Series A Preferred Units (the "Preferred Equity"), for a total offering price of $310.0 million. When, as and if declared by the Company's board of directors, distributions on the Preferred Equity are paid quarterly at a rate per annum equal to 7.00%. During 2016, we paid quarterly distributions of approximately $12.2 million to our preferred equity holders of record, and in February 2017, the board of directors of our general partner declared quarterly distribution of $5.4 million in respect of the fourth quarter of 2016 payable on March 31, 2017 to holders of record of preferred equity at the close of business on March 15, 2017.

Distribution Policy for Common Units

During 2015, we paid quarterly distributions of $0.13, $0.26, $0.25 and $0.24 per common unit (totaling $0.88 per common unit) to record holders of common units, or approximately $71.0 million. During 2016, we paid quarterly distributions of $0.20, $0.28, $0.15 and $0.20 per common unit (totaling $0.83 per common unit) to record holders of common units, or approximately $67.0 million, and in February 2017, the board of directors of our general partner declared an additional distribution of $0.28 per common unit, or approximately $22.7 million , to common unitholders in respect of the fourth quarter of 2016 payable on March 24, 2017 to holders of record of common units at the close of business on March 10, 2017.

We expect to distribute to our common unitholders on a quarterly basis substantially all of Ares Management, L.P.'s share of distributable earnings, net of applicable corporate taxes and amounts payable under the tax receivable agreement, in excess of amounts determined by our general partner to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable law, any of our debt instruments and preferred units or other agreements or to provide for future distributions to our common unitholders for any ensuing quarter, subject to a base quarterly distribution target range of 80% to 90% of distributable earnings. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Analysis—Reconciliation of Certain Non-GAAP Measures to Consolidated GAAP Financial Measures" for a reconciliation of our distributable earnings to our income before taxes presented in accordance with GAAP.

In most years, the aggregate amounts of distributions to our preferred and common unitholders do not equal our distributable earnings for that year. Our distributable earnings are only a starting point for the determination of the amount to be distributed to our common unitholders because, as noted above, in determining the amount to be distributed, we subtract from our distributable earnings any amounts determined by our general partner to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable law, any of our debt instruments or other agreements or to provide for future distributions to our preferred and common unitholders for any ensuing quarter.

Because Ares Management, L.P. is a holding partnership and has no material assets other than its ownership of Ares Operating Group Units (held through wholly owned subsidiaries in the case of Ares Holdings, Ares Offshore and AI), we fund distributions by Ares Management, L.P., if any, in three steps:

- first, we cause the Ares Operating Group entities to make distributions to their partners, including Ares Management, L.P. and its direct subsidiaries. If the Ares Operating Group entities make such distributions, the partners of the Ares Operating Group entities will be entitled to receive equivalent distributions pro rata based on their partnership units in the Ares Operating Group (except as set forth in the following paragraph);

- second, we cause Ares Management, L.P.'s direct subsidiaries to distribute to Ares Management, L.P. their share of such distributions, net of the taxes and amounts payable under the tax receivable agreement by such direct subsidiaries; and

- third, Ares Management, L.P. distributes its net share of such distributions to our common unitholders on a pro rata basis.

Because our direct subsidiaries that are corporations for U.S. federal income tax purposes must pay corporate income and franchise taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by us to our common unitholders are expected to be less, on a per unit basis, than the amounts distributed by the Ares Operating Group entities to their respective partners in respect of their Ares Operating Group Units.

In addition, governing agreements of the Ares Operating Group entities provide for cash distributions, which we refer to as "tax distributions," to the partners of such entities if the general partners of the Ares Operating Group entities determine that the taxable income of the relevant Ares Operating Group entity gives rise to taxable income for its partners. Generally, these tax distributions are computed based on our estimate of the net taxable income of the relevant entity multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in Los Angeles, California or New York, New York, whichever is higher (taking into account the non-deductibility of certain expenses and the character of our income). The Ares Operating Group makes tax distributions only to the extent distributions from such entities for the relevant year were otherwise insufficient to cover such tax liabilities.

Under the Delaware Limited Partnership Act, Ares Management, L.P. may not make a distribution to a partner if after the distribution all of our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. In addition, under the Credit Facility, certain subsidiaries of the Ares Operating Group are prohibited from making distributions in certain circumstances, including if an Event of Default (as defined in the Credit Facility) has occurred and is continuing.

In addition, the cash flow from operations of the Ares Operating Group entities may be insufficient to enable them to make required minimum tax distributions to their partners, in which case the Ares Operating Group may have to borrow funds or sell assets, which could have a material adverse effect on our liquidity and financial condition. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

Although a portion of any distributions by us to our common unitholders may include carried interest received by us, we do not intend to seek fulfillment of any contingent repayment obligation by seeking to have our common unitholders return any portion of such distributions attributable to carried interest associated with any contingent repayment obligation.

Unregistered Sales of Equity Securities and Purchases of Equity Securities

None.

Item 6. Selected Financial Data

The following tables present selected consolidated financial information and other data of the Company and its Predecessor. The Company was formed on November 15, 2013 to serve as a holding partnership for our businesses. Prior to the Reorganization, the Company had not commenced operations and had nominal assets and liabilities. After the Reorganization, the Company became the successor to AHI and AI for financial accounting purposes under GAAP. See "Item 1. Business—Organizational Structure."

We derived the following selected consolidated financial data of the Company and its Predecessor (as defined in Note 2 of the Notes to the Consolidated Financial Statements) as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 from the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data as of and for the years ended December 31, 2013 and 2012 were derived from the audited consolidated financial statements of the Predecessor, which are not included in this Annual Report on Form 10-K. The consolidated financial statements were prepared on substantially the same basis as the audited consolidated financial statements and include all adjustments that we consider necessary for a fair presentation of the Predecessor's consolidated financial position and results of operations. The selected historical financial data is not indicative of the expected future operating results of the Company following the Reorganization.

For the periods presented prior to the Reorganization, non-controlling interests in Ares Operating Group entities represent equity interests and net income attributable to various minority non-control oriented strategic investment partners, including the Predecessor's historical results. The net income attributable to controlling interests in the Predecessor, from January 1, 2014 to April 30, 2014, is presented together with net income attributable to non-controlling interests in Ares Operating Group entities within the Consolidated Statements of Operations.

The entities comprising our Consolidated Funds are not the same entities for all periods presented due to the adoption of new consolidation guidance. Pursuant to revised consolidation guidance that became effective for us on January 1, 2015, we consolidated entities where we hold a controlling financial interest. The consolidation of funds during the periods generally has the effect of grossing up reported assets, liabilities and cash flow, and has no effect on net income attributable to the Company and the Predecessor. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Consolidation and Deconsolidation of Ares Funds" and "—Critical Accounting Estimates—Principles of Consolidation" and Note 2, "Summary of Significant Accounting Policies," to our consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K.

Table of Contents

The following selected historical consolidated financial data should be read together with "Item 1. Business—Organizational Structure," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

	For the Year Ended December 31,				
	2016	2015	2014	2013	2012
				(Predecessor)	(Predecessor)
			(Dollars in thousands)		
Statements of operations data					
Revenues					
Management fees (includes ARCC Part I Fees of $121,181, $121,491, $118,537, $110,511 and $95,182 for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, respectively)	$ 642,068	$ 634,399	$ 486,477	$ 375,572	$ 249,584
Performance fees	517,852	150,615	91,412	79,800	69,491
Administrative and other fees	39,285	29,428	26,000	23,283	14,971
Total revenues	**1,199,205**	**814,442**	**603,889**	**478,655**	**334,046**
Expenses					
Compensation and benefits	447,725	414,454	456,372	333,902	288,719
Performance fee compensation	387,846	111,683	170,028	194,294	267,725
General, administrative and other expenses	159,776	224,798	166,839	138,464	85,582
Expenses of the Consolidated Funds	21,073	18,105	66,800	135,237	116,505
Total expenses	**1,016,420**	**769,040**	**860,039**	**801,897**	**758,531**
Other income (expense)					
Net interest and investment income (expense) (includes interest expense of $17,981, $18,949, $8,617, $9,475 and $8,679 for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, respectively)	5,800	(4,904)	(1,373)	(3,479)	(255)
Debt extinguishment expense	—	(11,641)	—	(1,862)	(3,032)
Other income (expense), net	35,650	21,680	(2,422)	(200)	7
Net realized and unrealized gain on investments	28,251	17,009	32,128	8,922	4,992
Net interest and investment income of the Consolidated Funds (includes interest expense of $91,456, $78,819, $666,373, $534,431 and $449,377 for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, respectively)	47,491	38,554	271,462	701,606	957,216
Debt extinguishment gain of Consolidated Funds	—	—	—	11,800	—
Net realized and unrealized gain (loss) on investments of Consolidated Funds	(2,057)	(24,616)	513,270	479,096	727,399
Total other income	**115,135**	**36,082**	**813,065**	**1,195,883**	**1,686,327**
Income before taxes	297,920	81,484	556,915	872,641	1,261,842
Income tax expense	11,019	19,064	11,253	59,263	26,154
Net income	**286,901**	**62,420**	**545,662**	**813,378**	**1,235,688**
Less: Net income attributable to redeemable interests in Consolidated Funds	**—**	**—**	**2,565**	**137,924**	**199,075**
Less: Net income (loss) attributable to non-controlling interests in Consolidated Funds	**3,386**	**(5,686)**	**417,793**	**448,847**	**734,517**
Less: Net income attributable to redeemable interests in Ares Operating Group entities	**456**	**338**	**731**	**2,451**	**3,293**
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	**171,251**	**48,390**	**89,585**	**224,156**	**298,803**
Net income attributable to Ares Management, L.P.	**111,808**	**19,378**	**34,988**	**—**	**—**
Less: Preferred equity distributions paid	**12,176**	**—**	**—**	**—**	**—**
Net income attributable to Ares Management, L.P. common unitholders	**$ 99,632**	**$ 19,378**	**$ 34,988**	**$ —**	**$ —**

	As of December 31,				
	2016	2015	2014	2013	2012
				(Predecessor)	(Predecessor)
	(Dollars in thousands)				
Statements of financial condition data					
Cash and cash equivalents	$ 342,861	$ 121,483	$ 148,858	$ 89,802	$ 68,457
Cash and cash equivalents of Consolidated Funds	455,280	159,507	1,314,397	1,638,003	1,707,640
Investments	468,471	468,287	174,052	89,438	105,753
Investments, at fair value, of Consolidated Funds	3,330,203	2,559,783	19,123,950	20,823,338	21,734,983
Total assets	5,829,712	4,321,408	21,638,992	23,705,384	24,495,877
Debt obligations	305,784	389,120	243,491	153,119	336,250
CLO loan obligations of Consolidated Funds	3,031,112	2,174,352	12,049,170	11,774,157	9,818,059
Consolidated Funds’ borrowings	55,070	11,734	777,600	2,070,598	4,512,229
Mezzanine debt of Consolidated Funds	—	—	378,365	323,164	117,527
Total liabilities	4,452,450	3,329,497	14,879,619	16,030,319	16,373,470
Redeemable interest in Consolidated Funds	—	—	1,037,450	1,093,770	1,100,108
Redeemable interest in Ares Operating Group entities	—	23,505	23,988	40,751	30,488
Non-controlling interest in Consolidated Funds	338,035	323,606	4,950,803	5,847,135	6,367,291
Non-controlling interest in Ares Operating Group entities	447,615	397,883	463,493	167,731	130,835
Total controlling interest in Ares Management, L.P.	292,851	246,917	283,639	525,678	493,685
Total equity	1,377,262	968,406	5,697,935	6,540,544	6,991,811
Total liabilities, redeemable interest, non-controlling interests and equity	5,829,712	4,321,408	21,638,992	23,705,384	24,495,877

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Ares Management, L.P. is a Delaware limited partnership formed on November 15, 2013. Unless the context otherwise requires, references to "we," "us," "our," "the Partnership" and "the Company" are intended to mean the business and operations of Ares Management, L.P. and its consolidated subsidiaries since the consummation of the Reorganization. When used in the historical context (i.e., prior to May 1, 2014), these terms are intended to mean the business and operations of our Predecessors. Our "Predecessors" refers to Ares Holdings Inc. ("AHI") and Ares Investments LLC ("AI"), as well as their wholly owned subsidiaries and managed funds, in each case prior to our Reorganization. The following discussion analyzes the financial condition and results of operations of the Partnership and, for periods prior to May 1, 2014, the financial condition and results of operations of our Predecessors. "Consolidated Funds" refers collectively to certain Ares-affiliated funds, related co- investment entities and certain CLOs that are required under generally accepted accounting principles in the United States ("GAAP") to be consolidated in our consolidated financial statements included in this Annual Report on Form 10-K. Additional terms used by the Company are defined in the Glossary and throughout the Management's Discussion and Analysis in this Annual Report on Form 10-K.

The following discussion and analysis should be read in conjunction with the audited, consolidated financial statements of Ares Management, L.P. and the related notes included in this Annual Report on Form 10-K.

Amounts and percentages presented throughout our discussion and analysis of financial condition and results of operations may reflect rounded results in thousands (unless otherwise indicated) and consequently, totals may not appear to sum.

Our Business

We are a leading global alternative asset manager that operates through distinct but complementary investment groups, which are our reportable segments. In 2016, we revised our reportable segments by combining two of our segments into a single segment to reflect a change in how we manage our operations. The previously disclosed Tradable Credit Group segment and the Direct Lending Group segment have been combined into a single Credit Group segment. This change was made to more effectively manage our broad array of credit products in a more effective manner and to better position the Credit Group to capitalize on future growth opportunities. In addition, in the third quarter of 2016, we reclassified our Special Situations strategy from the Credit Group to the Private Equity Group to better align our segment presentation with how the investment strategies for the Special Situations funds are managed. We have presented our reportable segments for the years ended December 31, 2015 and 2014 to conform to the year ended December 31, 2016 presentation.

Our three operating segments are:

- *Credit Group:* Our Credit Group is a leading manager of credit strategies across the non-investment grade credit universe in the U.S. and Europe, with approximately $60.5 billion of assets under management and 133 funds as of December 31, 2016 . The Credit Group offers a range of credit strategies across the liquid and illiquid spectrum, including syndicated loans, high yield bonds, credit opportunities, structured credit investments and U.S. and European direct lending. The Credit Group provides solutions for traditional fixed income investors seeking to access the syndicated loans and high yield bond markets and capitalizes on opportunities across traded corporate credit. It additionally provides investors access to directly originated fixed- and floating-rate credit assets and the ability to capitalize on illiquidity premiums across the credit spectrum. The Credit Group's syndicated loans strategy focuses on liquid, traded non-investment grade secured loans to corporate borrowers. The high yield bond strategy seeks to deliver a diversified portfolio of liquid, traded non-investment grade corporate bonds, including secured, unsecured and subordinated debt instruments. Credit opportunities is a "go anywhere" strategy seeking to capitalize on market inefficiencies and relative value opportunities across the capital structure. The structured credit strategy invests across the capital structures of syndicated collateralized loan obligation vehicles (CLOs) and in directly-originated asset-backed instruments comprised of diversified portfolios of consumer and commercial assets. We are one of the largest self-originating direct lenders to the U.S. and European middle markets, providing one-stop financing solutions for small-to-medium sized companies, which the Company believes are increasingly underserved by traditional lenders. The Credit Group conducts its U.S. corporate lending activities primarily through ARCC, the largest business development company as of December 31, 2016, by both market capitalization and total assets. In addition, the Credit Group manages a commercial finance business that provides asset-based and cash flow loans to small and middle-market companies, as well as asset-based facilities to specialty finance companies. The Credit Group's European direct lending platform is one of the most significant participants in the European middle-market, focusing on self-originated investments in illiquid middle-market credits.
- *Private Equity Group:* Our Private Equity Group has approximately $25 billion of assets under management as of

December 31, 2016 , broadly categorizing its investment strategies as corporate private equity, U.S. power and energy infrastructure and special situations. The group managed five corporate private equity commingled funds focused on North America and Europe and two focused on greater China, five commingled funds and six related co-investment vehicles focused on U.S. power and energy infrastructure and five special situations funds as of December 31, 2016 . In its North American and European flexible capital strategy, the Company targets opportunistic majority or shared-control investments in businesses with strong franchises and attractive growth opportunities in North America and Europe. The U.S. power and energy infrastructure strategy targets U.S. energy infrastructure-related assets across the power generation, transmission and midstream sectors, seeking attractive risk-adjusted equity returns with current cash flow and capital appreciation. The special situations strategy seeks to invest opportunistically across a broad spectrum of distressed or mispriced investments, including corporate debt, rescue capital, private asset-backed investments, post-reorganization securities and non-performing portfolios.

- *Real Estate Group:* Our Real Estate Group manages comprehensive public and private equity and debt strategies, with approximately $9.8 billion of assets under management across 42 funds as of December 31, 2016 . Real Estate equity strategies focus on applying hands-on value creation initiatives to mismanaged and capital-starved assets, as well as new development, ultimately selling stabilized assets back into the market. The Real Estate Group manages both a value-add strategy and an opportunistic strategy. The value-add strategy seeks to create value by buying assets at attractive valuations and through active asset management of income-producing properties across the U.S. and Western Europe. The opportunistic strategy focuses on manufacturing core assets through development, redevelopment and fixing distressed capital structures across major property types in the U.S. and Europe. The Company’s debt strategies leverage the Real Estate Group’s diverse sources of capital to directly originate and manage commercial mortgage investments on properties that range from stabilized to requiring hands-on value creation. In addition to managing private debt funds, the Real Estate Group makes debt investments through a publicly traded commercial mortgage REIT, ACRE.

The Operations Management Group (“OMG”) consists of five shared resource groups to support our operating segments by providing infrastructure and administrative support in the areas of accounting/finance, operations/information technology, business development/corporate strategy, legal/compliance and human resources. Additionally, the OMG provides services to certain of our investment companies and partnerships, which reimburse the OMG for expenses equal to the costs of services provided. The OMG’s expenses are not allocated to our three reportable segments but we consider the cost structure of the OMG when evaluating our financial performance.

The focus of our business model is to provide our investment management capabilities through various funds and products that meet the needs of a wide range of institutional and retail investors. Our revenues consist primarily of management fees and performance fees, as well as investment income and administrative expense reimbursements. Management fees are generally based on a defined percentage of average fair value of assets, total commitments, invested capital, net asset value, net investment income or par value of the investment portfolios we manage. Performance fees are based on certain specific hurdle rates as defined in the funds' applicable investment management or partnership agreements and represent either an incentive fee or carried interest. Other income (expense) represents the investment income, realized gains (losses) and unrealized appreciation (depreciation) resulting from the investments of the Company and the Consolidated Funds, as well as interest expense. We provide administrative services to certain of our affiliated funds that are presented within administrative and other fees for GAAP reporting, but are presented net of respective expenses for segment reporting purposes. We also receive transaction fees from certain affiliated funds for activities related to fund transactions, such as loan originations. In accordance with GAAP, we are required to consolidate those funds in which we hold a significant economic interest and substantive control rights. However, for segment reporting purposes, we present revenues and expenses on a combined segment basis, which shows the results of our reportable segments without giving effect to the consolidation of the funds. Accordingly, our segment revenues consist of management fees, other income, realized and unrealized performance fees, and net investment income. Our segment expenses consist of compensation and benefits, net of administrative fees, general, administrative and other expenses, net of administrative fees, as well as realized and unrealized performance fee compensation.

Trends Affecting Our Business

We believe that our disciplined investment philosophy across our three distinct but complementary investment groups contributes to the stability of our firm’s performance throughout market cycles. Additionally, as approximately 76% of our assets under management were in funds with a contractual life of three years or more and approximately 49% were in funds with a contractual life of seven years or more as of December 31, 2016 , our funds have a stable base of committed capital enabling us to invest in assets with a long term focus over different points in a market cycle and to take advantage of market volatility. However, our results of operations, including the fair value of our AUM, are affected by a variety of factors, including conditions in the global financial markets and the economic and political environments, particularly in the United States and Western Europe.

The broad-based rally that began in mid-February 2016 continued through the fourth quarter of 2016 despite elevated apprehension and volatility around headline events, including the U.S. presidential election, potential tax and regulation reform, the U.S. Federal Open Markets Committee's second interest rate increase and the November 30, 2016 OPEC meeting. In response to falling sovereign yields and compressing spreads, investors generally sought higher yielding risk assets globally. December capped off the strongest annual performance for capital markets since 2009 as credit spreads continued to tighten amid increased demand, an active primary market and sustained momentum in commodity related sectors. High yield bonds posted strong returns during the fourth quarter of 2016 with the BofA Merrill Lynch U.S. High Yield Master II Index ("H0A0") increasing 1.88%, extending the index's total return since mid-February (when oil prices bottomed) to 23.86%. Leveraged loans performed even stronger, with the Credit Suisse Leveraged Loan Index ("CSLLI") increasing 2.25% during the fourth quarter of 2016. For the year, the H0A0 and CSLLI returned 17.49% and 9.88%, respectively, versus negative returns of 4.64% and 0.38%, respectively, for 2015. High yield outperformed the S&P 500 after lagging equities for four consecutive years. However, equity markets continued to rally alongside the broader market after a weak start to the year, with the S&P 500 returning 3.82% for the fourth quarter and 11.96% for the year.

In Europe, concerns around slow global economic growth and elevated political turmoil remained the focal point during the fourth quarter of 2016. Amid the regional political tumult and persistently low inflation levels, the European Central Bank ("ECB") announced in December a continuation of its asset-buying program, although at a reduced pace of purchases beginning April 2017. Despite all of these events, European capital markets were generally resilient during the quarter as accommodative monetary action by the ECB continued to act as an overriding support mechanism. As a result, in the fourth quarter of 2016 the Merrill Lynch European High Yield Index increased 1.82% and the Credit Suisse Western European Leveraged Loan Index was up 1.76%, contributing to annual 2016 returns of 9.07% and 8.04%, respectively.

Notwithstanding the potential opportunities represented by market volatility, future earnings, cash flows and distributions are affected by a range of factors, including realizations of our funds' investments, which are subject to significant fluctuations from period to period.

In 2017, some of the considerations informing our strategic decisions include:

- *Our ability to fundraise and increase AUM and fee paying AUM.* During the year ended December 31, 2016, we raised $13.9 billion, both in commingled and separately managed accounts, and continued to expand our investor base, raising capital from over 50 different funds and approximately 127 institutional investors, including 50 direct institutional investors that were new to Ares. Our fundraising efforts drove AUM growth of approximately 1.7% for 2016. During 2017, we expect that our fundraising will come from a combination of our existing and new strategies primarily in the U.S and Europe. During the year ended December 31, 2016, we earned approximately 1.1% on our FPAUM, which was consistent with 2015. However, if we are not able to offset our distributions and reductions of commitments with new fundraising, our FPAUM could decline. As of December 31, 2016, we also had $18.0 billion of AUM not yet earning fees, which represents approximately $215.6 million in annual potential management fee revenue. Of the $215.6 million, $188.2 million relates to the $15.6 billion of AUM available for future deployment. Our pipeline of potential fees, coupled with our future fundraising opportunities, gives us the potential to increase our management fees in 2017. However, if we fail to grow our FPAUM, our management fee revenues also will be adversely impacted and no assurance can be made that such results will be achieved.

- *Our ability to attract new capital and investors with our broad multi-asset class product offering.* Our ability to attract new capital and investors in our funds is driven, in part, by the extent to which they continue to see the alternative asset management industry generally, and our investment products specifically, as an attractive vehicle for capital appreciation. We continually seek to create avenues to meet our investors' evolving needs by offering an expansive range of investment funds, developing new products and creating managed accounts and other investment vehicles tailored to our investors' goals. We continue to expand our distribution channels, seeking to meet the needs of insurance companies, as well as the needs of traditional institutional investors, such as pension funds, sovereign wealth funds, and endowments. If market volatility persists or increases, investors may seek absolute return strategies that seek to mitigate volatility. We offer a variety of investment strategies depending upon investors' risk tolerance and expected returns.

- *Our disciplined investment approach and successful deployment of capital.* Our ability to maintain and grow our revenue base is dependent upon our ability to successfully deploy the capital that our investors have committed to our investment funds. Greater competition, high valuations, cost of credit and other general market conditions have affected and may continue to affect our ability to identify and execute attractive investments. Under our disciplined investment approach, we deploy capital only when we have sourced a suitable investment opportunity at an attractive price. During the year ended December 31, 2016, we deployed $10.2 billion of gross capital across our three investment groups compared to approximately $13.2 billion deployed in 2015. As of December 31, 2016, we had $23.2 billion of capital available for investment and we remain well-positioned to invest our assets opportunistically.

- *Our ability to invest capital and generate returns through market cycles.* The strength of our investment performance affects investors' willingness to commit capital to our funds. The flexibility of the capital we are able to attract is one of the main drivers of the growth of our AUM and the management fees we earn. Current market conditions and a changing regulatory environment have created opportunities for Ares' businesses, particularly in the Credit Group's credit opportunities and structured credit funds, and in the Private Equity's special situations funds, which utilize flexible investment mandates to manage portfolios through market cycles. As market conditions shift and default risk and interest rate risk come under greater focus, having the ability to move up and down the capital structure enables both our Credit and Private Equity Groups to reduce risk and enhance returns. Similarly, given our broad capabilities in leveraged loans, such flexibility enables our Credit Group to reduce sensitivities to changing interest rates by increasing allocations to floating rate syndicated loans. On a market value basis, more than 77% of the debt assets within our Credit Group are floating rate instruments, which we believe helps mitigate volatility associated with changes in interest rates. However, if a prolonged downturn in the business cycle occurs or if we make poor investment decisions, our results could be materially impacted.

- *Our ability to continue to achieve stable distributions to investors.* Our fee related earnings represented approximately 65% of our distributable earnings for the year ended December 31, 2016. We believe that the high percentage of fee related earnings (versus performance related earnings) in our distributable earnings provides greater stability for our distributions relative to some peers. During 2016, we experienced higher relative distributable earnings compared to 2015 primarily driven by higher realized performance related earnings within the Private Equity Group, mostly as a result of market appreciation in certain assets held across various funds within the strategy. In addition, we have historically experienced and expect to continue to experience higher realizations within our Credit Group funds during the second half compared to the first half of the year, as certain Credit Group funds, including ARCC, pay incentive fees annually when hurdles are exceeded, which are typically realized during the last six months of the year.

See "Item 1A. Risk Factors" included in this Annual Report on Form 10-K for a discussion of the risks to which our businesses are subject.

Recent Transactions

ARCC and American Capital, Ltd. Merger Agreement

On January 3, 2017, ARCC completed its acquisition of American Capital, Ltd. ("ACAS") pursuant to a definitive merger agreement entered into in May 2016 (the "ARCC-ACAS Transaction"). To support the ARCC-ACAS Transaction, we, through our subsidiary Ares Capital Management LLC, which serves as the investment adviser to ARCC, provided approximately $275 million of cash consideration, or $1.20 per share of ACAS common stock, to ACAS shareholders upon the closing of the ARCC-ACAS Transaction in accordance with the terms and conditions of the merger agreement. In addition, we agreed to waive up to $10 million per quarter of ARCC's Part I fees for ten calendar quarters, beginning in the second quarter of 2017. The proper tax treatment of the support payment made by us is unclear and subject to final determination. The outcome could range from an immediate tax deduction of $275.0 million in 2017 or amortizing the amount over a prescribed life, typically 15 years. The outcome of such determination will materially affect our net taxable income and the amount of distributions to our common unitholders. The acquisition will increase our FPAUM by an estimated $3 billion based on pro forma September 30, 2016 gross assets less cash (including asset sales through October 31, 2016), subject to adjustment for subsequent asset sales and fair value changes.

Consolidation and Deconsolidation of Ares Funds

Pursuant to GAAP, we consolidate the Consolidated Funds into our financial results as presented in this Annual Report on Form 10-K. These funds represented approximately 4.7% of our AUM as of December 31, 2016 , 2.6% of our management fees and 0.2% of our performance fees for the year ended December 31, 2016 . As of December 31, 2016, 2015 and 2014 , we consolidated 7, 5 and 31 CLOs, respectively, and 9, 9 and 35 private funds, respectively. As of December 31, 2016 , we held $33.8 million of investments in these CLOs and $120.0 million in private funds, which represents the maximum exposure to loss.

The consolidation of these funds had the impact of increasing interest and other income of Consolidated Funds, interest and other expenses of Consolidated Funds, net investment gains (losses) of Consolidated Funds and non-controlling interests in Consolidated Funds, among others, for the years ended December 31, 2016, 2015 and 2014. Also, the consolidation of these funds had the impact of decreasing management and performance fees to the extent such fees were eliminated upon consolidation.

The assets and liabilities of our Consolidated Funds are held within separate legal entities and, as a result, the liabilities of our Consolidated Funds are non-recourse to us. Generally, the consolidation of our Consolidated Funds has a significant gross-up effect on our assets, liabilities and cash flows but has no net effect on the net income attributable to us. The net economic ownership interests of our Consolidated Funds, to which we have no economic rights, are reflected as non-controlling interests in the Consolidated Funds, and prior to December 31, 2015 also as equity appropriated for Consolidated Funds in our consolidated financial statements.

We generally deconsolidate funds we advise and CLOs when we are no longer deemed to have a controlling interest in the entity. During the year ended December 31, 2016 , there were no entities liquidated or dissolved and no non-VIEs experienced a significant change in ownership or control that resulted in deconsolidation during the period.

During the third quarter of 2015, we adopted the Accounting Standards Update ("ASU") 2015-02, "Amendments to the Consolidation Analysis" issued by the Financial Accounting Standards Board (the "FASB"). The adoption of this guidance resulted in the deconsolidation of entities we previously included in our consolidated results because we are no longer deemed to have a controlling financial interest in those entities. We adopted this guidance using the modified retrospective approach and ceased to consolidate those entities effective January 1, 2015. The adoption of this guidance resulted in the deconsolidation of 56 entities. The results of these entities are not included in our consolidated results for the years ended December 31, 2016 and 2015. The Company's management fees, performance fees and certain components of other income (expense) increased as portions of these amounts had previously been eliminated upon consolidation. See Note 19, "Consolidation," to our consolidated financial statements included in this Annual Report on Form 10-K for the impact of the adoption of ASU 2015-02.

The performance of our Consolidated Funds is not necessarily consistent with, or representative of, the combined performance trends of all of our funds.

Managing Business Performance

Non-GAAP Financial Measures

We use the following non-GAAP measures to assess and track our performance:

- Economic Net Income (ENI)
- Fee Related Earnings (FRE)
- Performance Related Earnings (PRE)
- Distributable Earnings (DE)

These non-GAAP financial measures supplement and should be considered in addition to and not in lieu of the results of operations, which are discussed further under "—Components of Consolidated Results of Operations" and are prepared in accordance with GAAP. For the specific components and calculations of these non-GAAP measures, as well as a reconciliation of these measures to the most comparable measure in accordance with GAAP, see Note 18, "Segment Reporting," to our consolidated financial statements included in this Annual Report on Form 10-K.

Operating Metrics

We monitor certain operating metrics that are common to the alternative asset management industry, which are discussed below.

Assets Under Management

Assets under management refers to the assets we manage. We view AUM as a metric to measure our investment and fundraising performance as it reflects assets generally at fair value plus available uncalled capital. For our funds other than CLOs, our AUM equals the sum of the following:

- net asset value ("NAV") of such funds;
- the drawn and undrawn debt (at the fund-level including amounts subject to restrictions); and

- uncalled committed capital (including commitments to funds that have yet to commence their investment periods).

NAV refers to the fair value of all the assets of a fund less the fair value of all liabilities of the fund.

For CLOs, our AUM is equal to subordinated notes (equity) plus all drawn and undrawn debt tranches.

The tables below provide the period-to-period rollforwards of our total AUM by segment for the years ended December 31, 2016, 2015 and 2014 (in millions):

	Credit Group	Private Equity Group	Real Estate Group	Total AUM
Balance at 12/31/2015	**$ 60,386**	**$ 22,978**	**$ 10,268**	**$ 93,632**
Net new par/equity commitments	5,453	2,314	840	8,607
Net new debt commitments	5,030	—	225	5,255
Distributions	(11,968)	(2,519)	(1,813)	(16,300)
Change in fund value	1,565	2,268	232	4,065
Balance at 12/31/2016	**$ 60,466**	**$ 25,041**	**$ 9,752**	**$ 95,259**
Average AUM(1)	**$ 60,297**	**$ 24,553**	**$ 10,144**	**$ 94,994**

	Credit Group	Private Equity Group	Real Estate Group	Total AUM
Balance at 12/31/2014	**$ 59,099**	**$ 12,087**	**$ 10,575**	**$ 81,761**
Acquisitions	—	4,581	—	4,581
Net new par/equity commitments	7,316	6,700	1,328	15,344
Net new debt commitments	6,554	—	105	6,659
Distributions	(11,949)	(1,081)	(2,072)	(15,102)
Change in fund value	(634)	691	332	389
Balance at 12/31/2015	**$ 60,386**	**$ 22,978**	**$ 10,268**	**$ 93,632**
Average AUM(1)	**$ 60,975**	**$ 17,115**	**$ 10,182**	**$ 88,272**

	Credit Group	Private Equity Group	Real Estate Group	Total AUM
Balance at 12/31/2013	**$ 53,899**	**$ 11,385**	**$ 8,721**	**$ 74,005**
Acquisitions	37	—	(216)	(179)
Net new par/equity commitments	4,123	668	2,542	7,333
Net new debt commitments	7,270	—	1,155	8,425
Distributions	(5,750)	(893)	(2,189)	(8,832)
Change in fund value	(480)	927	562	1,009
Balance at 12/31/2014	**$ 59,099**	**$ 12,087**	**$ 10,575**	**$ 81,761**
Average AUM(1)	**$ 56,501**	**$ 11,737**	**$ 9,649**	**$ 77,887**

(1) For the years ending December 31, 2016 and 2015, average AUM represents a five-point average of quarter-end balances for each period, whereas average AUM for the year ended December 31, 2014 reflects the simple average of the beginning and ending balance for the year.

Please refer to "— Results of Operations by Segment" for a more detailed presentation of AUM by segment for each of the periods presented.

The table below presents our Incentive Generating AUM and Incentive Eligible AUM by segment as of December 31, 2016, 2015 and 2014 (in millions):

	As of December 31, 2016		As of December 31, 2015		As of December 31, 2014	
	Incentive Generating AUM	Incentive Eligible AUM	Incentive Generating AUM	Incentive Eligible AUM	Incentive Generating AUM	Incentive Eligible AUM
Credit Group	$ 7,155	$ 24,708	$ 3,994	$ 22,249	$ 13,711	$ 20,035
Private Equity Group	7,800	19,462	7,766	16,739	6,758	10,954
Real Estate Group	2,762	6,577	2,136	6,784	2,079	6,365
Total	**$ 17,717**	**$ 50,747**	**$ 13,896**	**$ 45,772**	**$ 22,548**	**$ 37,354**

As of December 31, 2016, 2015 and 2014 , our uninvested AUM, which we refer to as dry powder, was $23.2 billion, $22.4 billion and $18.2 billion, respectively, primarily attributable to our funds in the Credit Group and the Private Equity Group.

Fee Paying Assets Under Management

During 2016, we began presenting FPAUM, which is a different metric from the previously presented FEAUM metric. The primary difference is that FPAUM reflects only the AUM that directly pays management fees. FEAUM also included indirect fee earning AUM from the Senior Secured Loan Program (the "SSLP"), a program co-managed by a subsidiary of Ares through which ARCC has co-invested with affiliates of General Electric Company; Ivy Hill Asset Management, L.P., a wholly owned portfolio company of ARCC and a registered investment adviser; and the Senior Direct Lending Program (the "SDLP"). In the third quarter of 2015, the SSLP began an orderly wind-down. In December 2015 the SDLP was established as a co-investment program similar to the SSLP with a different partner. The SDLP has available, but not committed, an aggregate of $2.9 billion of capital to make certain first lien senior secured loans, including certain stretch senior and unitranche loans, to U.S. middle-market companies. The SDLP began funding loans in the third quarter of 2016. As the $2.9 billion is available but not committed, only drawn portions of the available capital have been included in AUM and indirect fee earning AUM.

The following components generally comprise our FPAUM:

- The amount of limited partner capital commitments for certain closed-end funds within the reinvestment period in the Credit Group, funds in the Private Equity Group and certain private funds in the Real Estate Group;
- The amount of limited partner invested capital for the aforementioned closed-end funds beyond the reinvestment period as well as the structured assets funds in the Credit Group, certain managed accounts within their reinvestment period, the mezzanine fund in the Credit Group, European commingled funds in the Credit Group and co-invest vehicles in the Real Estate Group;
- The gross amount of aggregate collateral balance, for CLOs, at par, adjusted for defaulted or discounted collateral; and
- The portfolio value, gross asset value or NAV, adjusted in certain instances for cash or certain accrued expenses, for the remaining funds in the Credit Group, ARCC, certain managed accounts in the Credit Group and certain debt funds in the Real Estate Group.

Table of Contents

The tables below provide the period-to-period rollforwards of our total FPAUM by segment for the years ended December 31, 2016, 2015 and 2014 (in millions):

	Credit Group	Private Equity Group	Real Estate Group	Total
FPAUM Balance at 12/31/2015	**$ 39,925**	**$ 12,462**	**$ 6,757**	**$ 59,144**
Commitments	3,631	159	462	4,252
Subscriptions/deployment/increase in leverage	3,712	93	630	4,435
Redemptions/distributions/decrease in leverage	(5,815)	(665)	(1,019)	(7,499)
Change in fund value	1,316	(168)	(58)	1,090
Change in fee basis	(60)	(567)	(232)	(859)
FPAUM Balance at 12/31/2016	**$ 42,709**	**$ 11,314**	**$ 6,540**	**$ 60,563**
Average FPAUM(1)	**$ 40,938**	**$ 11,800**	**$ 6,669**	**$ 59,407**

	Credit Group	Private Equity Group	Real Estate Group	Total
FPAUM Balance at 12/31/2014	**$ 37,274**	**$ 7,702**	**$ 6,118**	**$ 51,094**
Acquisitions	—	4,046	—	4,046
Commitments	4,117	523	988	5,628
Subscriptions/deployment/increase in leverage	4,139	691	803	5,633
Redemptions/distributions/decrease in leverage	(5,242)	(414)	(797)	(6,453)
Change in fund value	(57)	(31)	(68)	(156)
Change in fee basis	(306)	(55)	(287)	(648)
FPAUM Balance at 12/31/2015	**$ 39,925**	**$ 12,462**	**$ 6,757**	**$ 59,144**
Average FPAUM(1)	**$ 38,328**	**$ 11,155**	**$ 6,208**	**$ 55,691**

	Credit Group	Private Equity Group	Real Estate Group	Total
FPAUM Balance at 12/31/2013	**$ 35,715**	**$ 7,855**	**$ 6,388**	**$ 49,958**
Acquisitions	—	—	(165)	(165)
Commitments	3,279	—	1,963	5,242
Subscriptions/deployment/increase in leverage	5,774	428	173	6,375
Redemptions/distributions/decrease in leverage	(8,171)	(469)	(1,708)	(10,348)
Change in fund value	677	84	(127)	634
Change in fee basis	—	(196)	(406)	(602)
FPAUM Balance at 12/31/2014	**$ 37,274**	**$ 7,702**	**$ 6,118**	**$ 51,094**
Average FPAUM(1)	**$ 36,496**	**$ 7,779**	**$ 6,254**	**$ 50,529**

(1) For the years ending December 31, 2016 and 2015, average AUM represents a five-point average of quarter-end balances for each period, whereas average AUM for the year ended December 31, 2014 reflects the simple average of the beginning and ending balance for the year.

Please refer to "— Results of Operations by Segment" for detailed information by segment of the activity affecting total FPAUM for each of the periods presented.

The table below breaks out FPAUM of the Consolidated Segments by its respective components as of December 31, 2016, 2015 and 2014 :

	As of December 31,		
	2016	2015	2014
	(Dollars in millions)		
Fee paying AUM based on capital commitments	$ 8,329	$ 9,674	$ 7,117
Fee paying AUM based on invested capital	15,280	13,475	9,232
Fee paying AUM based on market value/other	24,089	22,517	12,955
Fee paying AUM based on collateral balances, at par	12,865	13,478	21,790
Total fee paying AUM	**$ 60,563**	**$ 59,144**	**$ 51,094**

The reconciliation of our total AUM to our total FPAUM as of December 31, 2016, 2015 and 2014 is presented below:

	As of December 31,		
	2016	2015	2014
	(Dollars in millions)		
AUM	**$ 95,259**	**$ 93,632**	**$ 81,761**
Non fee paying debt	(4,017)	(4,519)	(6,741)
General partner and affiliates	(1,762)	(1,471)	(1,163)
Undeployed	(9,759)	(10,010)	(9,215)
Market value/other	(4,014)	(3,296)	(2,626)
Fees not activated	(8,214)	(5,446)	(10)
Fees deactivated	(994)	(617)	(648)
Indirect fee earning AUM	(5,936)	(9,129)	(10,264)
Fee paying AUM	**$ 60,563**	**$ 59,144**	**$ 51,094**

Fund Performance Metrics

Fund performance information for our investment funds that are considered to be "significant funds" is included throughout this discussion with analysis to facilitate an understanding of our results of operations for the periods presented. Our significant funds include those that contributed at least 1% of our total management fees for the year ended December 31, 2016 or comprised at least 1% of the Company's total FPAUM as of December 31, 2016 , and for which we have sole discretion for investment decisions within the fund. In addition to management fees, each of our significant funds may generate performance fees upon the achievement of performance hurdles. The fund performance information reflected in this discussion and analysis is not indicative of our overall performance. An investment in Ares is not an investment in any of our funds. Past performance is not indicative of future results. As with any investment there is always the potential for gains as well as the possibility of losses. There can be no assurance that any of these funds or our other existing and future funds will achieve similar returns.

Components of Consolidated Results of Operations

Revenues

Management Fees. Management fees are generally based on a defined percentage of average fair value of assets, total commitments, invested capital, NAV, net investment income or par value of the investment portfolios managed by us. The fees are generally based on a quarterly measurement period and amounts can be paid in advance or in arrears depending on each specific fund. Management fees also include ARCC Part I Fees, a quarterly fee on investment income from ARCC, our publicly traded business development company registered under the Investment Company Act of 1940, which is managed by our subsidiary. ARCC Part I Fees are equal to 20% of ARCC's net investment income (before ARCC Part I Fees and incentive fees payable based on ARCC's net capital gains), subject to a fixed "hurdle rate" of 1.75% per quarter, or 7.0% per annum. No fee is earned until ARCC's net investment income exceeds a 1.75% hurdle rate, with a "catch up" provision such that we receive 20% of ARCC's net investment income from the first dollar earned. ARCC Part I Fees are classified as management fees as they are predictable and are recurring in nature, are not subject to contingent repayment and are generally cash-settled each quarter. Management fees are recognized as revenue in the period advisory services are rendered, subject to our assessment of collectability. Additional details regarding our management fees are presented below:

Credit Group:

- *Syndicated loans and high yield bonds* : Typical management fees range from 0.35% to 0.65% of par plus cash or NAV. The syndicated loan funds have an average management contract term of 12.4 years as of December 31, 2016 and the fee ranges generally remain unchanged at the close of the re-investment period. The funds in the high-yield strategy generally represent open-ended managed accounts, which typically do not include investment period termination or management contract expiration dates.

- *Credit opportunities and structured credit* : Typical management fees range from 0.45% to 1.50% of NAV, gross asset value, committed capital or invested capital. The funds in the credit opportunities strategy generally include open-ended or managed account structures, which typically do not have investment period termination or management contract expiration dates. The funds in the structured credit strategy include a publicly-traded closed-end fund, which does not include investment period termination or management contract termination dates. The funds in these strategies (excluding ARDC) had an average management contract term of 9.7 years as of December 31, 2016.

- *U.S and E.U. direct lending* : Typical management fees range from 0.50% to 1.50% of invested capital, NAV or total assets. Following the expiration or termination of the investment period, the management fees for certain closed-end funds and managed accounts in this strategy generally step down to approximately 1.00% of the aggregate cost or market value of the portfolio investments. In addition, management fees include the ARCC Part I Fees. The funds in this strategy (excluding ARCC) had an average management contract term of 8.8 years as of December 31, 2016.

Private Equity Group:

- *Private Equity funds* : Typical management fees range from 1.50% to 2.00% of total capital commitments during the investment period. The management fees for corporate private equity funds generally step down to between 0.75% and 1.25% of the aggregate adjusted cost of unrealized portfolio investments following the earlier to occur of: (i) the expiration or termination of the investment period or (ii) the launch of a successor fund. The power and energy and infrastructure funds generally step down the fee base to the aggregated adjusted cost of unrealized portfolio investments, while retaining the same fee rate, following the expiration or termination of the investment period. The funds in this strategy had an average management contract term of 11.1 years as of December 31, 2016.

- *Special situations funds* : Typical management fees range from 1.00% to 1.50% of the lesser of the aggregate cost basis of unrealized portfolio investments or committed capital. The funds in this strategy are comprised of closed-end funds, with investment period termination or management contract termination dates. The special situation funds also include managed accounts, which generally do not include investment period termination or management contract termination dates. The funds in this strategy had an average management contract term of 7.8 years as of December 31, 2016.

Real Estate Group:

Real Estate funds : Typical management fees range from 0.75% to 1.50% of invested capital, stockholders' equity or total capital commitments. Following the expiration or termination of the investment period, the basis on which management fees are earned for certain closed-end funds, managed accounts and co-investment vehicles in this strategy, which pay fees based on committed capital, change from committed capital to invested capital with no change in the management fee rate. The funds in this strategy (excluding ACRE) had an average management contract term of 9.1 years as of December 31, 2016.

In some instances, we may not record management fees that we have earned when a fund does not have sufficient liquidity to pay management fees or may be restricted by certain covenants from making payment. Management fees are not record until collectability is assured, which may include meeting certain performance conditions. In future periods, the amount of management fees that we will record typically increases with the length of time the fees were previously not recorded. No management fees earned were unrecorded as of December 31, 2016, 2015 and 2014 .

As of the reporting date, accrued but unpaid management fees, net of management fee reductions and management fee offsets, are included under management fees receivable on the consolidated statements of financial condition. See Note 12, "Related Party Transactions," to our consolidated financial statements included in this Annual Report on Form 10-K for more information.

Performance Fees. Performance fees are based on certain specific hurdle rates as defined in the applicable investment management or partnership agreements of the funds that we manage. Performance fees are recorded on an accrual basis to the extent such amounts are contractually due. The investment returns of most of our funds may be volatile. Performance fees are assessed as a percentage of the investment return of the funds. The performance fee measurement period varies by type of fund and is typically indicative of when realizations are likely to occur. The performance fees from certain Credit Group credit opportunities funds, structured credit funds and ARCC Part II Fees are measured and realized on an annual basis, typically in the second half of the year. The performance fees from our Credit Group syndicated loans funds, high yield bonds, credit opportunities funds, structured credit funds, managed accounts and Private Equity Group funds are generally measured on an as-if liquidated basis, assuming that the fund was liquidated based on the measurement date net asset value. The performance fees are earned based on cumulative return hurdles and realizations occur as the fund is liquidating. The performance fees for our CLOs are earned based on yearly return hurdles and realizations occur periodically based on the management agreement. Private Equity Group funds may also distribute performance fees as individual investment realizations occur. For Real Estate Group funds, performance fees are measured at the liquidation of the fund and distributions of performance fees do not occur until all capital is returned to investors. For U.S. and E.U. direct lending Credit Group funds, performance fees are measured and distributed either quarterly or on an annual basis. Further, Real Estate Group, Private Equity Group, Credit Group syndicated credit and certain high yield bonds funds may make annual tax distributions based on the tax obligation at year-end and may be greater than the performance fees that were recognized during the year.

Credit Group:

- *Syndicated loans and high yield bonds:* Typical performance fees represent 15% to 20% of each incentive eligible fund's profits, subject to a preferred return of approximately 12% per annum.

- *Credit opportunities and structured credit:* Typical performance fees represent 10% to 20% of each incentive eligible fund's profits, subject to a preferred return of approximately 5% to 9% per annum.

- *U.S. and E.U. direct lending:* Typical performance fees represent 10% to 20% of each incentive eligible fund's profits, or cumulative realized capital gains (net of losses and unrealized capital depreciation), and are subject to a preferred return rate of approximately 5% to 8% per annum.

Private Equity Group:

- *Private Equity funds:* Performance fees represent 20% of each incentive eligible fund's profits, subject to a preferred return of approximately 8% per annum.

- *Special situations funds:* Performance fees represent 20% of each incentive eligible fund's profits, subject to a preferred return of approximately 7% to 8% per annum.

Real Estate Group:

- *Real estate funds:* Typical performance fees represent 10% to 20% of each incentive eligible fund's profits, subject to a preferred return of approximately 8% to 10% per annum.

We may be liable to certain funds for previously realized performance fees if the fund's investment values decline below certain return hurdles, which vary from fund to fund. As of December 31, 2016, 2015 and 2014, if the funds were liquidated at their fair values at that date, there would have been no contingent repayment obligation or liability. When the fair value of a fund's investment remains constant or falls below certain return hurdles, previously recognized performance fees are reversed. In all cases, each fund is considered separately in evaluating carried interest and potential contingent repayment obligations. For any given period, performance fees could therefore be negative; however, cumulative performance fees can never be negative over the life of a fund. If upon a hypothetical liquidation of a fund's investments at the then-current fair values previously recognized and distributed performance fees would be required to be returned, a liability would be established in our financial statements for the potential contingent repayment obligation that may differ from the amount of revenue that we reverse. At December 31, 2016, 2015 and 2014, if we assumed all existing investments were valued at $0, the total amount of performance fees subject to contingent repayment obligations, net of tax, would have been approximately $418.3 million , $322.2 million and $295.7 million, respectively, of which approximately $323.9 million , $247.9 million and $239.3 million, respectively, would have been reimbursable by professionals who have received such performance fees.

We are entitled to receive incentive fees from certain funds when the return on investment exceeds previous calendar year-end or date of investment high-watermarks. Some of our funds pay annual incentive fees or allocations equal to 10% to 20% of the fund's profit for the year, subject to a high-watermark. The high-watermark is the highest historical NAV attributable to a fund investor's account on which incentive fees were paid and represents the measuring floor for all future incentive fees. In these arrangements, incentive fees are recognized when the performance benchmark has been achieved based on the fund's then-current fair value and are included in performance fees in our consolidated statement of operations. These incentive fees are a component of performance fees in our consolidated financial statements and are treated as accrued until paid.

For any given period, performance fee revenue in our consolidated statement of operations may include reversals of previously recognized performance fees due to a decrease in the value of a particular fund that results in a decrease of cumulative performance fees earned to date. Since many of our fund return hurdles are cumulative, previously recognized fees also may be reversed in a period of appreciation that is lower than the particular fund's hurdle rate.

Administrative and Other Fees. Other fees primarily include revenue from administrative services provided to certain of our affiliated funds that are paid to us, and revenues associated with Real Estate Group activities such as development and construction. In addition, we may receive transaction fees from certain affiliated funds for activities related to fund transactions, such as loan originations. These fees are recognized as revenue in the period the transaction related services are rendered.

Expenses

Compensation and Benefits. Compensation generally includes salaries, bonuses, health and welfare benefits, equity-based compensation, and ARCC Part I Fee incentive compensation expenses. Compensation cost relating to the issuance of certain equity-based awards is measured at fair value at the grant date, reduced for actual forfeitures, and expensed over the vesting period on a straight-line basis. Other equity-based awards are re-measured at the end of each reporting period. Bonuses are accrued for the service period to which they relate. Compensation and benefits expenses are typically correlated to the operating performance of our segments, which is used to determine incentive based compensation for each segment. Our senior partners receive distributions based on their equity interests and are not paid an annual salary or bonus.

Performance Fee Compensation. Performance fee compensation includes compensation directly related to segment performance fees, which generally consists of percentage interests that we grant to our professionals. Depending on the nature of each fund, the performance fee participation is generally structured as a fixed percentage or as an annual award. The liability is calculated based upon the changes to realized and unrealized performance fees but not payable until the performance fees are realized. We have an obligation to pay our professionals a portion of the performance fees earned from certain funds, including performance fees from Consolidated Funds that are eliminated in consolidation.

Although changes in performance fee compensation are directly correlated with changes in performance fees reported within our segment results, this correlation does not always exist when our results are reported on a fully consolidated basis in accordance with GAAP. This discrepancy is caused by the fact that performance fees earned from our Consolidated Funds are eliminated upon consolidation while performance fee compensation is not eliminated.

General, Administrative and Other Expenses. General and administrative expenses include costs primarily related to placement fees, professional services, occupancy and equipment expenses, depreciation and amortization expenses, travel and related expenses, communication and information services and other general operating items. These expenses are not borne by fund investors.

Expenses of Consolidated Funds. Consolidated Funds' expenses consist primarily of costs incurred by our Consolidated Funds, including professional fees, research expenses, trustee fees, travel expenses and other costs associated with administering these funds and with launching new products.

Other Income (Expense)

Net Interest and Investment Income (Expense). Net interest and investment income (expense) consists of interest income and dividend income, net of interest expenses incurred under our debt facilities. Interest and other income are recognized on an accrual basis to the extent that such amounts are expected to be collected. Interest expense includes interest related to our Credit Facility, which has a variable interest rate based upon a credit spread that is adjusted with changes to corporate credit ratings, our senior notes, which have a fixed coupon rate, and our term loans.

Other Income (Expense), Net. Other income (expense), net consists of transaction gain (loss) and other non-operating and non-investment related activity, such as loss on disposal of assets and gain (loss) due to the change in fair value of our contingent consideration liabilities.

Net Realized and Unrealized Gain (Loss) on Investments. Net gain (loss) from investment activities include realized and unrealized gains and losses from our investment portfolio. A realized gain (loss) is recognized when we redeem all or a portion of our investment or when we receive a distribution of capital. Unrealized gains (losses) on investments result from appreciation (depreciation) in the fair value of our investments, as well as reversals of previously recorded unrealized appreciation (depreciation) at the time the gain (loss) on an investment becomes realized.

Net Interest and Investment Income (Expense) of the Consolidated Funds. Net interest and investment income (expense) of the Consolidated Funds includes interest and dividend income generated from the underlying investment securities, net of interest expenses incurred under the Consolidated CLOs' and Consolidated Funds' debt facilities. Interest expense primarily consists of interest related to our Consolidated CLOs' loans payable and, to a lesser extent, revolving credit lines, term loans and notes of other Consolidated Funds.

Net Realized and Unrealized Gain (Loss) on Investments of Consolidated Funds. Net gain (loss) from investment activities of our Consolidated Funds include realized and unrealized gains and losses resulting from their investment portfolios. Realized gains (losses) arise from dispositions of investments held by our Consolidated Funds. Unrealized gains (losses) are recorded to reflect appreciation (depreciation) of investments held by the Consolidated Funds due to periodic changes in fair value of the investments, as well as reversals of previously recorded unrealized appreciation (depreciation) of investments upon disposition, when the gain (loss) on an investment becomes realized.

Income Taxes. A substantial portion of our earnings flows through to our owners without being subject to federal income tax at the entity level. A portion of our operations is conducted through domestic corporations that are subject to corporate level taxes and for which we record current and deferred income taxes at the prevailing rates in the various jurisdictions in which these entities operate. The majority of our Consolidated Funds are not subject to income tax as the funds' investors are responsible for reporting their share of income or loss. To the extent required by federal, state and foreign income tax laws and regulations, certain funds may incur income tax liabilities

Income taxes are accounted for using the liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Non-Controlling and Redeemable Interests. Net income attributable to non-controlling and redeemable interests in Consolidated Funds represents the ownership interests that third parties hold in entities that are consolidated into our consolidated financial statements.

Net income attributable to non-controlling interests and redeemable interests in Ares Operating Group entities represents the results attributable to various minority, non-control oriented strategic investment partners based on the proportional daily average ownership in Ares Operating Group entities. For the year ended December 31, 2014, it represented 100% of net income through April 30, 2014 and the proportional daily average ownership in Ares Operating Group entities from May 1, 2014 to December 31, 2014, including interests attributable to the Predecessor.

Table of Contents

Results of Operations

Consolidated Results of Operations

The following table and discussion sets forth information regarding our consolidated results of operations for the years ended December 31, 2016, 2015 and 2014 . The consolidated financial statements of the Ares Operating Group entities have been prepared on substantially the same basis for all historical periods presented; however, net income attributable to our Predecessor from January 1, 2014 to April 30, 2014 is presented together with net income attributable to non-controlling interests in Ares Operating Group entities. Additionally, Consolidated Funds are not necessarily the same entities in each year presented due to: the adoption of ASU 2015-02, which significantly reduced the number of funds that we consolidate; changes in ownership; changes in limited partners' rights; and the creation and termination of funds. We consolidate funds where we are deemed to hold a controlling financial interest. The consolidation of these funds had no effect on net income attributable to us for the periods presented.

	For the Years Ended December 31,			2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	Favorable (Unfavorable)		Favorable (Unfavorable)	
				$ Change	% Change	$ Change	% Change
Revenues				(Dollars in thousands)			
Management fees (includes ARCC Part I Fees of $121,181, $121,491, and $118,537 for the years ended December 31, 2016, 2015 and 2014, respectively)	$ 642,068	$ 634,399	$ 486,477	$ 7,669	1 %	$ 147,922	30 %
Performance fees	517,852	150,615	91,412	367,237	244 %	59,203	65 %
Administrative and other fees	39,285	29,428	26,000	9,857	33 %	3,428	13 %
Total revenues	**1,199,205**	**814,442**	**603,889**	384,763	47 %	210,553	35 %
Expenses							
Compensation and benefits	447,725	414,454	456,372	(33,271)	(8)%	41,918	9 %
Performance fee compensation	387,846	111,683	170,028	(276,163)	(247)%	58,345	34 %
General, administrative and other expenses	159,776	224,798	166,839	65,022	29 %	(57,959)	(35)%
Expenses of the Consolidated Funds	21,073	18,105	66,800	(2,968)	(16)%	48,695	73 %
Total expenses	**1,016,420**	**769,040**	**860,039**	(247,380)	(32)%	90,999	11 %
Other income (expense)							
Net interest and investment income (expense) (includes interest expense of $17,981, $18,949 and $8,617 for the years ended December 31, 2016, 2015 and 2014, respectively)	5,800	(4,904)	(1,373)	10,704	NM	(3,531)	(257)%
Debt extinguishment expense	—	(11,641)	—	11,641	100 %	(11,641)	NM
Other income (expense), net	35,650	21,680	(2,422)	13,970	64 %	24,102	NM
Net realized and unrealized gain on investments	28,251	17,009	32,128	11,242	66 %	(15,119)	(47)%
Net interest and investment income of the Consolidated Funds (includes interest expense of $91,452, $78,819 and $666,373 for the years ended December 31, 2016, 2015 and 2014, respectively)	47,491	38,554	271,462	8,937	23 %	(232,908)	(86)%
Net realized and unrealized gain (loss) on investments of the Consolidated Funds	(2,057)	(24,616)	513,270	22,559	92 %	(537,886)	NM
Total other income	**115,135**	**36,082**	**813,065**	79,053	219 %	(776,983)	(96)%
Income before taxes	297,920	81,484	556,915	216,436	266 %	(475,431)	(85)%
Income tax expense	11,019	19,064	11,253	8,045	42 %	(7,811)	(69)%
Net income	**286,901**	**62,420**	**545,662**	224,481	NM	(483,242)	(89)%
Less: Net income attributable to redeemable interests in Consolidated Funds	**—**	**—**	**2,565**	—	NM	(2,565)	(100)%
Less: Net income (loss) attributable to non-controlling interests in Consolidated Funds	**3,386**	**(5,686)**	**417,793**	9,072	NM	(423,479)	NM
Less: Net income attributable to redeemable interests in Ares Operating Group entities	**456**	**338**	**731**	118	35 %	(393)	(54)%
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	**171,251**	**48,390**	**89,585**	122,861	254 %	(41,195)	(46)%
Net income attributable to Ares Management, L.P.	**111,808**	**19,378**	**34,988**	92,430	NM	(15,610)	(45)%
Less: Preferred equity distributions paid	**12,176**	**—**	**—**	(12,176)	NM	—	NM
Net income attributable to Ares Management, L.P. common unitholders	**$ 99,632**	**$ 19,378**	**$ 34,988**	80,254	NM	(15,610)	(45)%

NM - Not Meaningful

The following two sections discuss the year-over-year fluctuations of our consolidated results of operations for 2016 compared to 2015, as well as 2015 compared to 2014. Additional details behind the fluctuations attributable to a particular segment are included in "—Results of Operations by Segment" for each of the segments.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenues

Management Fees. Total management fees increased by $7.7 million , or 1% , to $642.1 million for the year ended December 31, 2016 compared to year ended December 31, 2015 . The increase is primarily due to strong deployment of capital and new funds launched within the U.S. and E.U. Direct Lending strategy during the year ended December 31, 2016. The increase was partially offset by a decline in Private Equity Group management fees, due to an extension of ACOF II's term that included fee waivers beginning in the first quarter of 2016. Management fees from the Real Estate Group remained relatively flat year over year.

Performance Fees. Performance fees increased by $367.2 million , or 244% , to $517.9 million for the year ended December 31, 2016 compared to year ended December 31, 2015 . The Private Equity Group had an increase in performance fees of $303.7 million compared to the year ended December 31, 2015 due primarily to increases of $203.3 million and $70.4 million in performance fees attributable to Ares Corporate Opportunities Fund IV, L.P. ("ACOF IV") and Ares Corporate Opportunities Fund III (“ACOF III”), respectively, due to stronger performance of the underlying portfolio companies. In addition, the Credit Group and Real Estate Group experienced increases in performance fees of $54.6 million and $8.8 million, respectively, over the prior year.

Administrative and Other Fees. Administrative fees and other fees increased by $9.9 million , or 33% , to $39.3 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 , primarily due to an increase in fees associated with certain illiquid credit funds within the Credit Group, from which we earned transaction fees of approximately $8.5 million for the year ended December 31, 2016. Transaction fees based on loan originations were a new source of revenue in 2016 that we expect to continue in future periods.

Expenses

Compensation and Benefits. Compensation and benefits expenses increased by $33.3 million , or 8% , to $447.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The increase was primarily due to an increase in headcount, which drove increases in incentive based compensation and salary and benefit expenses. The employee headcount of OMG increased as part of an effort to reduce our reliance on professional service providers by internalizing certain corporate support functions.

Performance Fee Compensation. Performance fee compensation increased by $276.2 million , or 247% , to $387.8 million for the year ended December 31, 2016 compared to year ended December 31, 2015 . The change in performance fee compensation expense directly correlates with the change in our performance fees before giving effect to the performance fees earned from our Consolidated Funds that are eliminated upon consolidation.

General, Administrative and Other Expenses. General, administrative and other expenses decreased by $65.0 million , or 29% , to $159.8 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The decrease was primarily due to $35.9 million of costs incurred in 2015 associated with discontinued merger efforts that did not recur in 2016. Depreciation and amortization expenses also decreased $19.6 million, including a $5.9 reduction of accelerated amortization, due to certain intangible assets becoming fully amortized in 2015. Additionally, professional fees decreased $5.0 million primarily due to costs associated with the initial adoption of Sarbanes-Oxley in the prior year.

Expenses of the Consolidated Funds. Expenses of the Consolidated Funds increased by $3.0 million , or 16% , to $21.1 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The increase was primarily due to organizational and offering costs incurred to launch new funds in 2016. The increase was partially offset by a reduction in professional fee expenses of the funds in 2016.

Other Income (Expense)

When evaluating the changes in other income (expense), we separately analyze the other income generated by the Company from the investment returns generated by our Consolidated Funds.

Net Interest and Investment Income (Expense). Net interest and investment income (expense) of the Company increased by $10.7 million from a $4.9 million net investment loss for the year ended December 31, 2015 to net investment income of $5.8 million for the year ended December 31, 2016 . The increase was primarily due to a $10.7 million increase in dividends and interest income from our investments in the Private Equity Group funds, including a $10.0 million dividend from our investments in ACOF III, for the year ended December 31, 2016 compared to the prior year. Interest expense of $18.0 million and $18.9 million for the years ended December 31, 2016 and 2015, respectively, offset interest, dividends and other investment income, resulting in an overall net interest and investment income loss in 2015 and reducing net interest and investment income in 2016.

Other Income (Expense), Net. Other income of the Company increased by $14.0 million , or 64% , to $35.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The increase was due to $16.2 million of transaction gains from the revaluation of certain assets and liabilities denominated in foreign currencies as a result of the strengthening U.S. dollar for the year ended December 31, 2016 compared to a net transaction loss of $0.3 million for the year ended December 31, 2015. Partially offsetting this increase, was a decrease in the gain recognized as a result of the revaluation of our contingent consideration liability related to the Energy Investors Funds ("EIF") acquisition. Due to lower than expected commitment period management fee revenue, we reduced our contingent consideration liability in each year, resulting in gains of $17.8 million and $21.1 million recognized during the years ended December 31, 2016 and 2015, respectively.

Net Realized and Unrealized Gain (Loss) on Investments. Net gain on investments of the Company increased by $11.2 million to $28.3 million for the year ended December 31, 2016 compared to $17.0 million for the year ended December 31, 2015 . The increase is primarily attributable to our special situations funds and syndicated loan funds, which had net losses of $16.9 million and $0.5 million, respectively, in 2015 and net gains of $5.7 million and $6.2 million, respectively, in the current year. Partially offsetting these increases, was a $20.0 million realized loss in 2016 related to our minority interest equity method investment in Deimos Management Holdings LLC due to the winding down of its operations.

Net Interest and Investment Income (Expense) of the Consolidated Funds. Net interest and investment income of the Consolidated Funds increased by $8.9 million , or 23% , to $47.5 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The increase is primarily driven by additional dividend income received by certain Consolidated Funds in our Credit Group.

Net Realized and Unrealized Gain (Loss) on Investments of the Consolidated Funds. Net loss on investments of the Consolidated Funds decreased $22.6 million from a net investment loss of $24.6 million for the year ended December 31, 2015 to a net investment loss of $2.1 million for the year ended December 31, 2016 . The decrease is primarily driven by an increase in valuation of the underlying investments in one of our Credit Group's Consolidated Funds.

Income Tax Expense (Benefit). Not all Company and Consolidated Fund entities are subject to taxes. As a result, income taxes may not move in tandem with income before taxes. Specifically, the Company’s investment income and performance fees are generally not subject to income tax.

Income tax expense was $11.0 million for the year ended December 31, 2016 compared to $19.1 million for the year ended December 31, 2015 . The decrease was primarily attributable to the recognition of a deferred tax benefit resulting from an agreement between Ares Management, L.P. and a subsidiary whereby the subsidiary will remit cash for units awarded under its Equity Incentive Plan, ultimately providing for a difference between taxable income and GAAP income that was recorded as a reduction to the income tax provision.

Non-Controlling and Redeemable Interests. Net income attributable to non-controlling and redeemable interests in Ares Operating Group entities represents results attributable to the owners of Ares Operating Group Units ("AOG Units") that are not held by Ares Management, L.P. and is allocated based on the weighted average daily ownership of the AOG unitholders. The former owners of Indicus Advisors, LLP (“Indicus”), a company we acquired in 2011, exercised the put option on their redeemable interest during the third quarter of 2016, at which time the redeemable interest in Ares Operating Group entities ceased to exist.

Net income attributable to non-controlling and redeemable interests in Ares Operating Group entities increased $123.0 million , from $48.7 million for the year ended December 31, 2015 to $171.7 million for the year ended December 31, 2016 . The fluctuation of net income attributable to non-controlling and redeemable interests in Ares Operating Group entities is consistent with the change in net income of the Company for those periods. The weighted average daily ownership for non-controlling and redeemable AOG unitholders was 62.0% for the year ended December 31, 2016 compared to 62.1% for the year ended December 31, 2015 .

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenues

Management Fees. Total management fees increased by $147.9 million, or 30%, to $634.4 million for the year ended December 31, 2015 compared to year ended December 31, 2014. The adoption of new consolidation guidance led to the deconsolidation of certain funds effective January 1, 2015, as previously described. As a result, we no longer eliminated fees earned from these funds upon consolidation. Total management fees increased by $83.1 million due to deconsolidating funds for the year ended December 31, 2015 compared to the year ended December 31, 2014. The remaining increase of $64.8 million in management fees was primarily due to increases in fee-paying assets under management for the year ended December 31, 2015 compared to the year ended December 31, 2014.

Performance Fees. Performance fees increased by $59.2 million, or 65%, to $150.6 million for the year ended December 31, 2015 compared to year ended December 31, 2014. As a result of deconsolidating certain funds effective January 1, 2015, we no longer eliminated performance fees earned from these funds upon consolidation. Total performance fees increased by $112.6 million as a result of deconsolidating certain funds for the year ended December 31, 2015 compared to the year ended December 31, 2014. In addition, the Real Estate Group experienced increases in performance fees of $12.6 million compared to the year ended December 31, 2014. These increases were partially offset by decreases in the performance fees of funds across our Private Equity Group and Credit Group of $23.1 million and $6.6 million, respectively.

Administrative and Other Fees. Administrative fees and other fees increased by $3.4 million, or 13%, to $29.4 million for the year ended December 31, 2015 compared to the year ended December 31, 2014, primarily due to an increase in administrative service fees associated with certain funds within the Credit Group. The increase was partially offset by a decrease in property management related fees within our Real Estate Group.

Expenses

Compensation and Benefits. Compensation and benefits expenses decreased by $41.9 million, or 9%, to $414.5 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease was primarily due to a decrease in equity compensation expense for the year ended December 31, 2015 as the vesting of certain equity compensation awards was accelerated in connection with our initial public offering during the year ended December 31, 2014. Additionally, incentive-based compensation decreased as a result of aligning incentive compensation with each segment's operating results. These decreases were partially offset by additional compensation and benefit expenses due to merit based increases and to increasing headcount, primarily related to additional personnel from our acquisitions.

Performance Fee Compensation. Performance fee compensation decreased by $58.3 million, or 34%, to $111.7 million for the year ended December 31, 2015 compared to year ended December 31, 2014. The change in performance fee compensation was directly correlated with the change in our performance fees before giving effect to the performance fees earned from our Consolidated Funds that are eliminated upon consolidation.

General, Administrative and Other Expenses. General, administrative and other expenses increased by $58.0 million, or 35%, to $224.8 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was driven primarily by $35.9 million in costs associated with a discontinued merger. Additionally, expenses grew as a result of additional occupancy-related and support costs associated with employees hired in connection with our acquisitions.

Expenses of our Consolidated Funds. Expenses of Consolidated Funds decreased by $48.7 million, or 73%, to $18.1 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. The adoption of new consolidation guidance led to the deconsolidation of 56 funds effective January 1, 2015 as previously described. As a result, total expenses of Consolidated Funds decreased by $53.4 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. This decrease was partially offset by $4.7 million of offering related expenses for new CLOs launched in late 2014.

Other Income (Expense)

When evaluating the changes in other income (expense), we separately analyze the other income generated by the Company from the investment returns generated by our Consolidated Funds.

Net Interest and Investment Income (Expense). Net interest and investment expense of the Company increased by $3.5 million for the year ended December 31, 2015 compared to the prior year period. The increase in expense was due to additional interest expense of $10.3 million as a result of the issuance of our Senior Notes and the AFC II Notes in the fourth quarter of 2014 and the third quarter of 2015, respectively. The increase in expense was partially offset by an increase of interest and other income primarily as a result of an increase of $4.9 million from the deconsolidation of certain funds and $1.9 million from our underlying portfolio investments within ACOF III in the Private Equity Group.

Other Income (Expense), Net . Net other income (expense) of the Company increased by $24.1 million from a net expense of $2.4 million for the year ended December 31, 2014 to net other income of $21.7 million for the year ended December 31, 2015. The increase was primarily due to the revaluing of our contingent liabilities related to the EIF acquisition resulting in a net gain of $21.1 million.

Net Realized and Unrealized Gain (Loss) on Investments. Net investment gains of the Company decreased by $15.1 million to $17.0 million for the year ended December 31, 2015 compared to $32.1 million for the year ended December 31, 2014. The decrease in investment gains of the Company was primarily due to: (i) a decrease in net investment gains in the Private Equity Group special situations funds as a result of market depreciation of $16.6 million recognized during the year ended December 31, 2015 compared to market appreciation of $1.6 million recognized during the same period in 2014; (ii) a decrease in net investment gains of $5.1 million in Real Estate Group equity funds that experienced greater market appreciation during the year ended December 31, 2014 compared to the same period in 2015; and (iii) a decrease in net investment gains of $8.3 million from derivative instruments. The decrease was offset by $16.8 million of net realized and unrealized gains that were previously eliminated upon consolidation.

Net Interest and Investment Income of the Consolidated Funds. Net interest and investment income of the Consolidated Funds decreased by $232.9 million to $38.6 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease for the year ended December 31, 2015 was primarily attributable to a $820.5 million decrease in interest income due to the deconsolidation of certain funds based on the adoption of newly issued consolidation guidance. This decrease was partially offset by a $587.6 million reduction in interest expense for the year ended December 31, 2015, which was also a result of deconsolidation stemming from newly adopted consolidation guidance.

Net Realized and Unrealized Gain (Loss) on Investments of the Consolidated Funds. Net realized and unrealized gain (loss) on investments of the Consolidated Funds decreased by $537.9 million from a net investment gain of $513.3 million for the year ended December 31, 2014 compared to a net investment loss of $24.6 million for the year ended December 31, 2015. As a result of the deconsolidation of certain funds effective January 1, 2015, funds with net investment gains of $505.7 million for the year ended December 31, 2014 are no longer included in the our consolidated results. In addition, net investment gain (loss) attributable to our Private Equity funds decreased from a net investment gain of $42.8 million for the year ended December 31, 2014 to a net investment loss of $27.1 million in 2015. These decreases were partially offset by an increase in net investment gain (loss) from the Credit Group, which increased from a net investment loss of $35.3 million for the year ended December 31, 2014 to a net investment gain of $2.5 million in 2015.

Income Tax Expense. Not all Company and Consolidated Fund entities are subject to taxes. As a result, income taxes may not move in tandem with income before taxes. Specifically, the Company's investment income and performance fees are generally not subject to income tax.

Income tax expense was $19.1 million for the year ended December 31, 2015 compared to $11.3 million for the year ended December 31, 2014. The increase of $7.8 million was primarily driven by the following: (i) a $10.4 million increase in the Company's pre-tax book income; (ii) a $5.3 million net benefit that was recognized in 2014 by the deconsolidated funds; and (iii) an increase in the Company's entity level state and local income tax of $3.2 million.

Non-Controlling and Redeemable Interests. Net income attributable to non-controlling and redeemable interests in Ares Operating Group entities represents results attributable to the owners of AOG Units that are not held by Ares Management, L.P. and is allocated based on the weighted average daily ownership of the AOG unitholders. For the years ended December 31, 2015 and 2014, net income attributable to non-controlling and redeemable interests in Ares Operating Group entities decreased $41.6 million, or 46%, from year ended December 31, 2014. The decrease is consistent with the 45% decrease in net income of the Company. Furthermore, the weighted average daily ownership percentage for the non-controlling AOG unit holders was 62.1% and 62.0% years ended December 31, 2015 and 2014, respectively.

Segment Analysis

Under GAAP, we are required to consolidate entities where we have both significant economics and the power to direct the activities of the entity that impact economic performance. For more information regarding consolidation principles, see Note 2, "Summary of Significant Accounting Policies," to our consolidated financial statements included in this Annual Report on Form 10-K.

For segment reporting purposes, revenues and expenses are presented on a basis that excludes the results of our Consolidated Funds. As a result, segment revenues from management fees, performance fees and investment income are greater than those presented on a consolidated basis in accordance with GAAP because revenues recognized from Consolidated Funds are eliminated in consolidation. Furthermore, expenses and the effects of other income (expense) are different than related amounts presented on a consolidated basis in accordance with GAAP due to the exclusion of the results of Consolidated Funds.

Discussed below are our results of operations for each of our three reportable segments. In addition to the three segments, we separately discuss the OMG. This information is used by our management to make operating decisions, assess performance and allocate resources.

ENI and Other Measures

The following table sets forth FRE, PRE, ENI and DE on a segment basis and stand alone basis for the years ended December 31, 2016, 2015 and 2014 . FRE, PRE, ENI and DE are non-GAAP financial measures our management uses when making resource deployment decisions and in assessing performance of our segments. For a detailed reconciliation of these non-GAAP measures to our most comparable Consolidated GAAP financial measure, see Note 18, "Segment Reporting," to our consolidated financial statements included in this Annual Report on Form 10-K.

	Year Ended December 31,			2016 vs. 2015 Favorable (Unfavorable)		2015 vs. 2014 Favorable (Unfavorable)	
	2016	2015	2014	$ Change	% Change	$ Change	% Change
	(Dollars in thousands)						
Fee related earnings:							
Credit Group	$ 250,719	$ 237,667	$ 216,687	$ 13,052	5 %	$ 20,980	10 %
Private Equity Group	78,066	83,984	43,878	(5,918)	(7)%	40,106	91 %
Real Estate Group	18,694	13,189	29,766	5,505	42 %	(16,577)	(56)%
Segment fee related earnings	**347,479**	**334,840**	**290,331**	12,639	4 %	44,509	15 %
Operations Management Group	(175,129)	(157,848)	(143,067)	(17,281)	(11)%	(14,781)	(10)%
Stand alone fee related earnings	**$ 172,350**	**$ 176,992**	**$ 147,264**	(4,642)	(3)%	29,728	20 %
Performance related earnings:							
Credit Group	$ 70,691	$ 9,688	$ 43,306	61,003	NM	(33,618)	(78)%
Private Equity Group	113,571	12,670	80,791	100,901	NM	(68,121)	(84)%
Real Estate Group	19,752	17,778	17,845	1,974	11 %	(67)	— %
Segment performance related earnings	**204,014**	**40,136**	**141,942**	163,878	NM	(101,806)	(72)%
Operations Management Group	(19,381)	(750)	—	(18,631)	NM	(750)	NM
Stand alone performance related earnings	**$ 184,633**	**$ 39,386**	**$ 141,942**	145,247	NM	(102,556)	(72)%
Economic net income:							
Credit Group	$ 321,410	$ 247,355	$ 259,993	74,055	30 %	(12,638)	(5)%
Private Equity Group	191,637	96,654	124,669	94,983	98 %	(28,015)	(22)%
Real Estate Group	38,446	30,967	47,611	7,479	24 %	(16,644)	(35)%
Segment economic net income	**551,493**	**374,976**	**432,273**	176,517	47 %	(57,297)	(13)%
Operations Management Group	(194,510)	(158,598)	(143,067)	(35,912)	(23)%	(15,531)	(11)%
Stand alone economic net income	**$ 356,983**	**$ 216,378**	**$ 289,206**	140,605	65 %	(72,828)	(25)%
Distributable earnings:							
Credit Group	$ 302,683	$ 289,091	$ 294,955	13,592	5 %	(5,864)	(2)%
Private Equity Group	148,996	91,800	76,190	57,196	62 %	15,610	20 %
Real Estate Group	24,191	17,615	10,460	6,576	37 %	7,155	68 %
Segment distributable earnings	**475,870**	**398,506**	**381,605**	77,364	19 %	16,901	4 %
Operations Management Group	(211,564)	(167,917)	(148,849)	(43,647)	(26)%	(19,068)	(13)%
Stand alone distributable earnings	**$ 264,306**	**$ 230,589**	**$ 232,756**	33,717	15 %	(2,167)	(1)%

NM - Not Meaningful

Results of Operations by Segment

Credit Group

The following table sets forth certain statement of operations data and certain other data of our Credit Group segment for the periods presented.

	For the Years Ended December 31,			2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	Favorable (Unfavorable)		Favorable (Unfavorable)	
				$ Change	% Change	$ Change	% Change
	(Dollars in thousands)						
Management fees (includes ARCC Part I Fees of $121,181, $121,491, and $118,537 for the years ended December 31, 2016, 2015 and 2014, respectively)	$ 444,664	$ 432,769	$ 416,400	$ 11,895	3 %	$ 16,369	4 %
Other fees	9,953	414	1,192	9,539	NM	(778)	(65)%
Compensation and benefits	(177,071)	(167,735)	(176,709)	(9,336)	(6)%	8,974	5 %
General, administrative and other expenses	(26,827)	(27,781)	(24,196)	954	3 %	(3,585)	(15)%
Fee Related Earnings	**250,719**	**237,667**	**216,687**	13,052	5 %	20,980	10 %
Performance fees-realized	51,435	87,583	98,221	(36,148)	(41)%	(10,638)	(11)%
Performance fees-unrealized	22,851	(71,341)	(41,681)	94,192	NM	(29,660)	(71)%
Performance fee compensation-realized	(11,772)	(44,110)	(48,077)	32,338	73 %	3,967	8 %
Performance fee compensation-unrealized	(26,109)	36,659	11,059	(62,768)	NM	25,600	231 %
Net performance fees	36,405	8,791	19,522	27,614	NM	(10,731)	(55)%
Investment income-realized	4,928	13,274	29,081	(8,346)	(63)%	(15,807)	(54)%
Investment income (loss)-unrealized	11,848	(15,731)	(12,430)	27,579	NM	(3,301)	(27)%
Interest and other investment income	26,119	10,429	10,688	15,690	150 %	(259)	(2)%
Interest expense	(8,609)	(7,075)	(3,555)	(1,534)	(22)%	(3,520)	(99)%
Net investment income	34,286	897	23,784	33,389	NM	(22,887)	(96)%
Performance related earnings	**70,691**	**9,688**	**43,306**	61,003	NM	(33,618)	(78)%
Economic net income	**$ 321,410**	**$ 247,355**	**$ 259,993**	74,055	30 %	(12,638)	(5)%
Distributable earnings	**$ 302,683**	**$ 289,091**	**$ 294,955**	13,592	5 %	(5,864)	(2)%

NM - Not meaningful

Accrued performance fees for the Credit Group are comprised of the following:

	As of December 31, 2016	As of December 31, 2015
	(Dollars in thousands)	
CLOs	$ 8,182	$ 27,063
CSF	26,416	10,075
ARCC	—	—
ACE II	16,427	24,670
ACE III	11,541	—
Other credit funds	42,386	25,994
Total Credit Group	**$ 104,952**	**$ 87,802**

Net performance fee revenues for the Credit Group are comprised of the following:

	Year Ended December 31, 2016			Year Ended December 31, 2015			Year Ended December 31, 2014		
	Realized	Unrealized	Net	Realized	Unrealized	Net	Realized	Unrealized	Net
	(Dollars in thousands)								
CLOs	$ 31,347	$ (18,379)	$ 12,968	$ 16,942	$ (14,413)	$ 2,529	$ 24,982	$ (18,144)	$ 6,838
CSF	—	16,341	16,341	60,000	(84,265)	(24,265)	16,494	(9,209)	7,285
ARCC	—	—	—	(417)	—	(417)	24,449	—	24,449
ACE II	12,124	(8,110)	4,014	1,916	19,659	21,575	—	2,899	2,899
ACE III	—	12,035	12,035	—	—	—	—	—	—
Other credit funds	7,964	20,964	28,928	9,142	7,678	16,820	32,148	(16,658)	15,490
Total Credit Group	**$ 51,435**	**$ 22,851**	**$ 74,286**	**$ 87,583**	**$ (71,341)**	**$ 16,242**	**$ 98,073**	**$ (41,112)**	**$ 56,961**

The following tables present the components of the change in performance fees - unrealized for the Credit Group:

	Year Ended December 31, 2016				Year Ended December 31, 2015			
	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized
	(Dollars in thousands)							
CLOs	$ (31,347)	$ 13,234	$ (266)	$ (18,379)	$ (16,942)	$ 4,119	$ (1,590)	$ (14,413)
CSF	—	16,341	—	16,341	(60,000)	—	(24,265)	(84,265)
ARCC	—	—	—	—	417	—	(417)	—
ACE II	(12,124)	4,014	—	(8,110)	(1,916)	21,575	—	19,659
ACE III	—	12,035	—	12,035	—	—	—	—
Other credit funds	(7,964)	30,666	(1,738)	20,964	(9,142)	18,786	(1,966)	7,678
Total Credit Group	**$ (51,435)**	**$ 76,290**	**$ (2,004)**	**$ 22,851**	**$ (87,583)**	**$ 44,480**	**$ (28,238)**	**$ (71,341)**

	Year Ended December 31, 2014			
	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized
	(Dollars in thousands)			
CLOs	$ (24,982)	$ 7,866	$ (1,028)	$ (18,144)
CSF	(16,494)	7,285	—	(9,209)
ARCC	(24,449)	24,449	—	—
ACE II	—	2,899	—	2,899
ACE III	—	—	—	—
Other credit funds	(32,148)	16,258	(768)	(16,658)
Total Credit Group	**$ (98,073)**	**$ 58,757**	**$ (1,796)**	**$ (41,112)**

Credit Group—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Fee Related Earnings:

Fee related earnings increased $13.1 million, or 5%, to $250.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. Fee related earnings were impacted by fluctuations of the following components:

Management Fees. Total management fees increased by $11.9 million , or 3% , to $444.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The increase in management fees was primarily driven by the launch of 11 funds subsequent to December 31, 2015 that increased fees by $11.9 million.

Management fees of the Credit Group include quarterly fees on the net investment income from ARCC (ARCC Part I Fees). Total ARCC management fees for the years ended December 31, 2016 and 2015 were $258.2 million and $255.8 million, respectively, of which $121.2 million and $121.5 million, respectively, were related to ARCC Part I Fees.

The effective management fee rate decreased by 0.07% from 1.13% for the year ended December 31, 2015 , to 1.06% for the year ended December 31, 2016 . ARCC Part I Fees contributed 0.29% and 0.32% towards the total effective management fee rate of the Credit Group for the years ended December 31, 2016 and 2015 , respectively.

Other Fees. Other fees increased by $9.5 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 , resulting from the introduction of a transaction fee earned from a new fund based on underwriting and originating activities.

Compensation and Benefits. Compensation and benefits expenses increased by $9.3 million , or 6% , to $177.1 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . Compensation and benefits expenses increased during the year ended December 31, 2016 primarily due to an increase in headcount, which drove increases in incentive based compensation and salary and benefit expenses. In addition, salary and benefits expenses increased in the current year due to merit based increases. Compensation and benefits expenses represented 39.8% of management fees for the year ended December 31, 2016 compared to 38.8% for the year ended December 31, 2015 .

General, Administrative and Other Expenses. General, administrative and other expenses decreased by $1.0 million , or 3% , to $26.8 million for the year ended December 31, 2016 , remaining relatively consistent with the year ended December 31, 2015 .

Performance Related Earnings:

Performance related earnings increased $61.0 million to $70.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. Performance related earnings were impacted by fluctuations of the following components:

Net Performance Fees. Net performance fees include realized and unrealized performance fees, net of realized and unrealized performance fee compensation. The impact of reversals of previously recognized performance fee revenue and the corresponding performance fee compensation expense is reflected as a reduction in unrealized performance fees and unrealized performance fee compensation.

Net performance fees increased by $27.6 million to $36.4 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The increase in performance fees for the year ended December 31, 2016 was primarily driven by market appreciation in credit opportunities, U.S. direct lending and syndicated loans strategies as a result of strengthening credit markets. Additionally, net performance fees increased as a result of realizations from several CLOs in excess of unrealized amounts previously recognized during the year ended December 31, 2016 as compared to the year ended December 31, 2015.

Net Investment Income (Loss). Net investment income increased by $33.4 million to $34.3 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The increase was driven by overall improvements in the credit markets that resulted in unrealized market appreciation of $10.0 million and $4.2 million on investments in our syndicated loan funds and U.S. direct lending funds, respectively, offset by unrealized depreciation of $0.8 million on investments in our E.U. direct lending funds for the year ended December 31, 2016. In comparison, our investments in syndicated loan funds and U.S. direct lending funds experienced unrealized losses of $14.6 million and $0.4 million, respectively, for the year ended December 31, 2015. Additionally, $16.0 million of transaction gains from the revaluation of certain assets and liabilities denominated in foreign currencies is included in interest and other investment income for the year ended December 31, 2016 compared to transaction losses of $0.5 million for the year ended December 31, 2015.

Economic Net Income:

Economic net income is comprised of fee related earnings and performance related earnings. Economic net income increased $74.1 million, or 30%, to $321.4 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of the fluctuations described above.

Distributable Earnings:

DE increased $13.6 million, or 5%, to $302.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. DE was positively impacted by increases in FRE of $13.1 million and an increase of $2.2 million in net realized investment and other income. The increases were partially offset by a decrease in net realized performance fees of $3.8 million.

Credit Group—Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Fee Related Earnings:

Fee related earnings increased $21.0 million, or 10%, to $237.7 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. Fee related earnings were impacted by fluctuations of the following components:

Management Fees. Total management fees increased by $16.4 million , or 4% , to $432.8 million for the year ended December 31, 2015 compared to the year ended December 31, 2014 . The increase in management fees was primarily driven by 5 CLOs and 20 funds that generated combined management fees of $12.0 million in 2015, but had not yet begun generating fees in 2014. In addition, ARCC raised additional capital in the third quarter of 2014, resulting in incremental management fees of $6.4 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. These increases were partially offset by a $2.7 million decrease in management fees due to liquidating funds.

Management fees of the Credit Group include quarterly fees on the net investment income from ARCC (ARCC Part I Fees). Total ARCC management fees for the years ended December 31, 2015 and 2014 were $255.8 million and $246.5 million, respectively, of which $121.5 million and $118.5 million, respectively, were related to ARCC Part I Fees.

The effective management fee rate decreased by 0.03% from 1.16% for the year ended December 31, 2014 , to 1.13% for the year ended December 31, 2015 . ARCC Part I Fees contributed 0.32% and 0.33% towards the total effective fee rate of the Credit Group for the years ended December 31, 2015 and 2014, respectively.

Compensation and Benefits. Compensation and benefits expenses decreased by $9.0 million , or 5% , to $167.7 million for the year ended December 31, 2015 compared to the year ended December 31, 2014 . The decrease was due to a reduction in incentive-based compensation, partially offset by additional compensation and benefit expenses due to merit based increases and increases in headcount primarily related to the FCC acquisition. Incentive-based compensation were lower as a result of decreasing operating results. Movements in incentive compensation are generally expected to correlate to operating performance. Compensation and benefits represented 38.8% of management fees for the year ended December 31, 2015 compared to 42.4% for the year ended December 31, 2014.

General, Administrative and Other Expenses. General, administrative and other expenses increased by $3.6 million , or 15% , to $27.8 million for the year ended December 31, 2015 compared to the year ended December 31, 2014 . The increase was primarily attributable to an increase in occupancy and office expenses to support additional staff associated with building out our commercial finance platform, Ares Commercial Finance, as well as to support future growth in personnel and geographical expansion. In addition, professional fees increased as a result of fund launches in the Credit Group during the latter half of 2015.

Performance Related Earnings:

Performance related earnings decreased $33.6 million to $9.7 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. Performance related earnings were impacted by fluctuations of the following components:

Net Performance Fees. Net performance fees decreased by $10.7 million to $8.8 million for the year ended December 31, 2015 compared to the year ended December 31, 2014 . The decrease in performance fees for the year ended December 31, 2015 was primarily driven by weakening credit markets, which began in the second half of 2014 as commodity prices came under pressure, and broadened into the general credit market as concerns around the strength of the global economy grew. During the year ended December 31, 2015, CSF and certain other funds reversed unrealized performance fees as market prices weakened.

Additionally, certain other Credit Group funds did not generate performance fees because these funds' returns did not exceed their hurdle rates as of December 31, 2015, which negatively impacted performance fees compared to the prior year.

Net Investment Income. Net investment income decreased by $22.9 million from net investment income of $23.8 million for the year ended December 31, 2014 to $0.9 million for the year ended December 31, 2015 . The decrease was primarily due to weakness in the credit markets during 2015, which resulted in unrealized market depreciation on certain investments within our syndicated loans and credit opportunities funds, and higher interest expense of $3.5 million, resulting from the issuance of our Senior Notes and the AFC II Notes during the fourth quarter of 2014 and the third quarter of 2015, respectively.

Economic Net Income:

Economic net income decreased $12.6 million, or 5%, to $247.4 million for the year ended December 31, 2015 compared to the year ended December 31, 2014 as a result of the fluctuations described above.

Distributable Earnings:

DE decreased $5.9 million, or 2%, to $289.1 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. DE was negatively impacted by decreases in net realized performance fees and net realized investment and other income of $6.7 million and $19.6 million, respectively, partially offset by a $21.0 million increase in FRE.

Credit Group—Assets Under Management

The tables below provide the period-to-period rollforwards of AUM for the Credit Group for the years ended December 31, 2016, 2015 and 2014 (in millions):

	Syndicated Loans	High Yield	Credit Opportunities	Structured Credit	U.S. Direct Lending(1)	E.U. Direct Lending	Total Credit Group
Balance at 12/31/2015	**$ 17,617**	**$ 3,303**	**$ 3,715**	**$ 3,103**	**$ 23,592**	**$ 9,056**	**$ 60,386**
Net new par/ equity commitments	624	1,664	281	905	751	1,228	5,453
Net new debt commitments	2,287	—	—	—	2,411	332	5,030
Distributions	(3,410)	(459)	(923)	(106)	(6,269)	(801)	(11,968)
Change in fund value	142	470	231	352	625	(255)	1,565
Balance at 12/31/2016	**$ 17,260**	**$ 4,978**	**$ 3,304**	**$ 4,254**	**$ 21,110**	**$ 9,560**	**$ 60,466**
Average AUM(2)	**$ 17,162**	**$ 4,217**	**$ 3,365**	**$ 3,743**	**$ 22,299**	**$ 9,511**	**$ 60,297**

	Syndicated Loans	High Yield	Credit Opportunities	Structured Credit	U.S. Direct Lending	E.U. Direct Lending	Total Credit Group
Balance at 12/31/2014	**$ 20,175**	**$ 3,076**	**$ 5,479**	**$ 1,719**	**$ 23,115**	**$ 5,535**	**$ 59,099**
Net new par/ equity commitments	(13)	502	14	1,716	1,537	3,560	7,316
Net new debt commitments	2,949	—	302	—	2,051	1,252	6,554
Distributions	(4,949)	(213)	(1,915)	(201)	(3,654)	(1,017)	(11,949)
Change in fund value	(545)	(62)	(165)	(131)	543	(274)	(634)
Balance at 12/31/2015	**$ 17,617**	**$ 3,303**	**$ 3,715**	**$ 3,103**	**$ 23,592**	**$ 9,056**	**$ 60,386**
Average AUM(2)	**$ 19,605**	**$ 3,281**	**$ 4,533**	**$ 2,804**	**$ 24,179**	**$ 6,573**	**$ 60,975**

	Syndicated Loans	High Yield	Credit Opportunities	Structured Credit	U.S. Direct Lending	E.U. Direct Lending	Total Credit Group
Balance at 12/31/2013	**$ 16,978**	**$ 2,092**	**$ 5,662**	**$ 1,674**	**$ 22,004**	**$ 5,489**	**$ 53,899**
Acquisitions	—	—	—	—	37	—	37
Net new par/ equity commitments	1,214	1,246	31	372	732	528	4,123
Net new debt commitments	6,559	—	—	54	321	336	7,270
Distributions	(3,691)	(289)	(237)	(375)	(568)	(590)	(5,750)
Change in fund value	(885)	27	23	(6)	589	(228)	(480)
Balance at 12/31/2014	**$ 20,175**	**$ 3,076**	**$ 5,479**	**$ 1,719**	**$ 23,115**	**$ 5,535**	**$ 59,099**
Average AUM(2)	**$ 18,577**	**$ 2,584**	**$ 5,571**	**$ 1,697**	**$ 22,560**	**$ 5,512**	**$ 56,501**

(1) Distributions of $6.3 billion in 2016 includes $4.8 billion reduction in leverage related to the paydown associated with SSLP.

(2) For the years ending December 31, 2016 and 2015, average AUM represents a five-point average of quarter-end balances for each period, whereas average AUM for the year ended December 31, 2014 reflects the simple average of the beginning and ending balance for the year.

Credit Group—Fee Paying AUM

The tables below provides the period-to-period rollforwards of fee paying AUM for the Credit Group for the years ended December 31, 2016, 2015 and 2014 (in millions):

	Syndicated Loans	High Yield	Credit Opportunities	Structured Credit	U.S. Direct Lending	E.U. Direct Lending	Total Credit Group
FPAUM Balance at 12/31/2015	**$ 17,180**	**$ 3,303**	**$ 2,606**	**$ 2,558**	**$ 10,187**	**$ 4,091**	**$ 39,925**
Commitments	1,985	1,537	62	7	40	—	3,631
Subscriptions/deployment/increase in leverage	24	127	366	379	1,423	1,393	3,712
Redemptions/distributions/decrease in leverage	(3,239)	(459)	(492)	(112)	(928)	(585)	(5,815)
Change in fund value	48	470	223	296	570	(291)	1,316
Change in fee basis	—	—	(60)	—	—	—	(60)
FPAUM Balance at 12/31/2016	**$ 15,998**	**$ 4,978**	**$ 2,705**	**$ 3,128**	**$ 11,292**	**$ 4,608**	**$ 42,709**
Average FPAUM(1)	**$ 16,234**	**$ 4,217**	**$ 2,569**	**$ 2,805**	**$ 10,640**	**$ 4,473**	**$ 40,938**

	Syndicated Loans	High Yield	Credit Opportunities	Structured Credit	U.S. Direct Lending	E.U. Direct Lending	Total Credit Group
FPAUM Balance at 12/31/2014	**$ 16,236**	**$ 3,075**	**$ 3,943**	**$ 1,602**	**$ 9,400**	**$ 3,018**	**$ 37,274**
Commitments	3,284	341	60	11	421	—	4,117
Subscriptions/deployment/increase in leverage	122	97	164	1,102	1,088	1,566	4,139
Redemptions/distributions/decrease in leverage	(2,252)	(213)	(882)	(218)	(1,254)	(423)	(5,242)
Change in fund value	(281)	(123)	(283)	(53)	793	(110)	(57)
Change in fee basis	71	126	(396)	114	(261)	40	(306)
FPAUM Balance at 12/31/2015	**$ 17,180**	**$ 3,303**	**$ 2,606**	**$ 2,558**	**$ 10,187**	**$ 4,091**	**$ 39,925**
Average FPAUM(1)	**$ 16,533**	**$ 3,256**	**$ 3,290**	**$ 2,261**	**$ 9,525**	**$ 3,463**	**$ 38,328**

	Syndicated Loans	High Yield	Credit Opportunities	Structured Credit	U.S. Direct Lending	E.U. Direct Lending	Total Credit Group
FPAUM Balance at 12/31/2013	**$ 18,354**	**$ 2,035**	**$ 3,582**	**$ 1,367**	**$ 8,080**	**$ 2,297**	**$ 35,715**
Commitments	3,029	—	—	—	250	—	3,279
Subscriptions/deployment/increase in leverage	951	1,282	452	630	936	1,523	5,774
Redemptions/distributions/decrease in leverage	(5,960)	(291)	(254)	(403)	(535)	(728)	(8,171)
Change in fund value	(138)	49	163	8	669	(74)	677
FPAUM Balance at 12/31/2014	**$ 16,236**	**$ 3,075**	**$ 3,943**	**$ 1,602**	**$ 9,400**	**$ 3,018**	**$ 37,274**
Average FPAUM(1)	**$ 17,295**	**$ 2,555**	**$ 3,763**	**$ 1,485**	**$ 8,740**	**$ 2,658**	**$ 36,496**

(1) For the years ending December 31, 2016 and 2015, average AUM represents a five-point average of quarter-end balances for each period, whereas average FPAUM for the year ended December 31, 2014 reflects the simple average of the beginning and ending balance for the year.

The table below breaks out fee paying AUM for the Credit Group by its respective components for each period:

	As of December 31,		
	2016	2015	2014
	(Dollars in millions)		
Fee paying AUM based on capital commitments	$ 240	$ 176	$ —
Fee paying AUM based on invested capital	5,921	4,150	2,921
Fee paying AUM based on market value/other	23,683	22,121	12,563
Fee paying AUM based on collateral balances, at par	12,865	13,478	21,790
Total fee paying AUM	**$ 42,709**	**$ 39,925**	**$ 37,274**

Credit Group fee paying AUM may vary from AUM for variety of reasons. The reconciliation of AUM to fee paying AUM for the Credit Group is presented below for each period.

	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
	(Dollars in millions)		
AUM	**$ 60,466**	**$ 60,386**	**$ 59,099**
Non fee paying debt	(2,610)	(3,082)	(5,083)
General partner and affiliates	(502)	(198)	(210)
Undeployed	(7,129)	(7,318)	(5,840)
Market value/other	(950)	(734)	(361)
Fees not activated	(614)	—	—
Fees deactivated	(16)	—	(67)
Indirect fee earning AUM	(5,936)	(9,129)	(10,264)
Fee paying AUM	**$ 42,709**	**$ 39,925**	**$ 37,274**

Credit Group—Fund Performance Metrics as of December 31, 2016

The Credit Group managed 133 funds as of December 31, 2016 across the liquid and illiquid credit strategies. ARCC contributed approximately 58% of the Credit Group's total management fees for the year ended December 31, 2016 . In addition to ARCC, we have eight significant funds which contributed approximately 9% of the Credit Group's management fees for the year ended December 31, 2016 . Our significant funds include Ares Credit Strategies Fund I ("CSF"), a managed account with a flexible and opportunistic mandate to invest in corporate credit funds; ARCC, a publicly-traded business development company that principally originates and invests in first lien senior secured loans, second lien secured loans and mezzanine debt in the United States; Ares Capital Europe II, L.P. ("ACE II"), a 2013 vintage commingled fund focused on direct lending to European middle market companies; Ares Capital Europe III, L.P. ("ACE III"), a 2015 vintage commingled fund focused on direct lending to European middle market companies; Ares ELIS XI, Ltd. ("ELIS XI"), a 2013 vintage separately managed account focused on syndicated loans in the United States; two sub-advised funds; and two separately managed accounts over which we exercise sole investment discretion. We do not present fund performance metrics for significant funds with less than two years of historical information.

The following table presents the performance data for our significant funds in the Credit Group that are not drawdown funds:

		As of December 31, 2016							
			Returns(%)(1)						
	Year of	AUM	Current Quarter		Year-To-Date		Since Inception(2)		
Fund	Inception	(in millions)	Gross	Net	Gross	Net	Gross	Net	Investment Strategy
ARCC(3)	2004	$ 10,603	N/A	1.5	N/A	9.4	N/A	11.8	U.S. Direct Lending
Sub-advised Client A(4)	2007	$ 711	1.7	1.6	12.5	12.1	7.9	7.6	High Yield
Sub-advised Client B(4)	2009	$ 681	2.0	1.9	8.8	8.3	6.6	6.1	Syndicated Loans
ELIS XI(4)	2013	$ 628	1.7	1.6	8.7	8.1	3.3	2.7	Syndicated Loans
Separately Managed Account Client A	2015	$ 1,056	N/A	N/A	N/A	N/A	N/A	N/A	Structured Credit
Separately Managed Account Client B	2016	$ 776	N/A	N/A	N/A	N/A	N/A	N/A	High Yield

(1) Returns are time-weighted rates of return and include the reinvestment of income and other earnings from securities or other investments and reflect the deduction of all trading expenses.
(2) Since inception returns are annualized.
(3) Net returns are calculated using the fund's NAV and assume dividends are reinvested at the closest quarter-end NAV to the relevant quarterly ex-dividend dates. Additional information related to ARCC can be found in its financial statements filed with the SEC, which are not part of this annual report.
(4) Gross returns do not reflect the deduction of management fees or any other expenses. Net returns are calculated by subtracting the applicable management fee from the gross returns on a monthly basis.

The following table presents the performance data of our significant drawdown funds:

			As of December 31, 2016 (Dollars in millions)									
								MoIC		IRR(%)		
Fund	Year of Inception	AUM	Original Capital Commitments	Cumulative Invested Capital	Realized Proceeds(2)	Unrealized Value(3)	Total Value	Gross(4)	Net(5)	Gross(6)	Net(7)	Investment Strategy
CSF(1)	2008	$ 388	$ 1,500	$ 1,500	$ 2,138	$ 362	$ 2,500	1.9x	1.7x	12.9	10.0	Credit Opportunities
ACE II(8)	2013	$ 1,529	$ 1,216	$ 938	$ 163	$ 972	$ 1,135	1.3x	1.2x	10.1	7.2	E.U. Direct Lending
ACE III(9)	2015	$ 3,906	$ 2,822	$ 753	$ 18	$ 801	$ 819	1.1x	1.1x	N/A	N/A	E.U. Direct Lending

(1) The AUM for CSF, a fund of funds, includes AUM that has been committed to other Ares funds.
(2) Realized proceeds represent the sum of all cash distributions to all partners and if applicable, exclude tax and incentive distributions made to the general partner.
(3) Unrealized value represents the fund's NAV reduced by the accrued incentive allocation, if applicable. There can be no assurance that unrealized values will be realized at the valuations indicated.
(4) The gross multiple of invested capital ("MoIC") is calculated at the fund-level and is based on the interests of the fee-paying limited partners and if applicable, excludes interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or performance fees. The gross MoIC is before giving effect to management fees, performance fees as applicable and other expenses.
(5) The net MoIC is calculated at the fund-level and is based on the interests of the fee-paying limited partners and if applicable, excludes those interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or performance fees. The net MoIC is after giving effect to management fees, performance fees as applicable and other expenses.
(6) The gross IRR is an annualized since inception gross internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Gross IRR reflects returns to the fee-paying limited partners and if applicable, excludes interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or performance fees. The cash flow dates used in the gross IRR calculation are based on the actual dates of the cash flows. Gross IRRs are calculated before giving effect to management fees, performance fees as applicable, and other expenses.
(7) The net IRR is an annualized since inception net internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Net IRRs reflect returns to the fee-paying limited partners and if applicable, exclude interests attributable to the non-fee paying limited partners and/or the general partner who does not pay management fees or performance fees. The cash flow dates used in the net IRR calculations are based on the actual dates of the cash flows. The net IRRs are calculated after giving effect to management fees, performance fees as applicable, and other expenses.
(8) ACE II is made up of two feeder funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net IRR and gross and net MoIC presented in the chart are for the U.S. dollar denominated feeder fund as that is the larger of the two feeders. The gross and net IRR for the Euro denominated feeder fund are 13.4% and 10.0%, respectively. The gross and net MoIC for the Euro denominated feeder fund are 1.4x and 1.3x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of the fund's closing. All other values for ACE II are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate. The variance between the gross and net MoICs and the net IRRs for the U.S. dollar denominated and Euro denominated feeder funds is driven by the U.S. GAAP mark-to-market reporting of the foreign currency hedging program in the U.S. dollar denominated feeder fund. The feeder fund will be holding the foreign currency hedges until maturity, and therefore is expected to ultimately recognize a gain while mitigating the currency risk associated with the initial principal investments.
(9) ACE III is made up of two feeder funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net MoIC presented in the chart are for the Euro denominated feeder fund as that is the larger of the two feeders. The gross and net MoIC for the U.S. dollar denominated feeder fund are 1.1x and 1.1x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of the fund's closing. All other values for ACE III are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate.

Private Equity Group

The following table sets forth certain statement of operations data and certain other data of our Private Equity Group segment for the periods presented.

	For the Years Ended December 31,			2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	Favorable (Unfavorable)		Favorable (Unfavorable)	
				$ Change	% Change	$ Change	% Change
	(Dollars in thousands)						
Management fees	$ 147,790	$ 152,104	$ 93,963	$ (4,314)	(3)%	$ 58,141	62 %
Other fees	1,544	1,406	219	138	10 %	1,187	NM
Compensation and benefits	(57,012)	(54,231)	(40,229)	(2,781)	(5)%	(14,002)	(35)%
General, administrative and other expenses	(14,256)	(15,295)	(10,075)	1,039	7 %	(5,220)	(52)%
Fee Related Earnings	**78,066**	**83,984**	**43,878**	(5,918)	(7)%	40,106	91 %
Performance fees-realized	230,162	24,849	46,417	205,313	NM	(21,568)	(46)%
Performance fees-unrealized	188,287	87,809	119,156	100,478	114 %	(31,347)	(26)%
Performance fee compensation-realized	(184,072)	(19,255)	(32,522)	(164,817)	NM	13,267	41 %
Performance fee compensation-unrealized	(149,956)	(74,598)	(97,658)	(75,358)	(101)%	23,060	24 %
Net performance fees	84,421	18,805	35,393	65,616	NM	(16,588)	(47)%
Investment income-realized	18,773	6,840	21,154	11,933	174 %	(14,314)	(68)%
Investment income (loss)-unrealized	(613)	(13,205)	23,424	12,592	95 %	(36,629)	NM
Interest and other investment income	16,579	6,166	4,745	10,413	169 %	1,421	30 %
Interest expense	(5,589)	(5,936)	(3,925)	347	6 %	(2,011)	(51)%
Net investment income (loss)	29,150	(6,135)	45,398	35,285	NM	(51,533)	NM
Performance related earnings	**113,571**	**12,670**	**80,791**	100,901	NM	(68,121)	(84)%
Economic net income	**$ 191,637**	**$ 96,654**	**$ 124,669**	94,983	98 %	(28,015)	(22)%
Distributable earnings	**$ 148,996**	**$ 91,800**	**$ 76,190**	57,196	62 %	15,610	20 %

NM - Not meaningful

Accrued performance fees for the Private Equity Group are comprised of the following:

	As of December 31, 2016	As of December 31, 2015
	(Dollars in thousands)	
ACOF III	$ 342,958	$ 338,384
ACOF IV	234,207	52,635
Other funds	46,684	44,542
Total Private Equity Group	**$ 623,849**	**$ 435,561**

Net performance fee revenues for the Private Equity Group are comprised of the following:

	Year Ended December 31, 2016			Year Ended December 31, 2015			Year Ended December 31, 2014		
	Realized	Unrealized	Net	Realized	Unrealized	Net	Realized	Unrealized	Net
	(Dollars in thousands)								
ACOF III	$ 161,216	$ 4,574	$ 165,790	$ 4,925	$ 90,420	$ 95,345	$ 9,689	$ 106,727	$ 116,416
ACOF IV	41,807	181,571	223,378	10,545	9,512	20,057	—	43,123	43,123
Other funds	27,139	2,142	29,281	9,380	(12,122)	(2,742)	36,728	(30,694)	6,034
Total Private Equity Group	**$ 230,162**	**$ 188,287**	**$ 418,449**	**$ 24,850**	**$ 87,810**	**$ 112,660**	**$ 46,417**	**$ 119,156**	**$ 165,573**

The following tables present the components of the change in performance fees - unrealized for the Private Equity Group:

	Year Ended December 31, 2016				Year Ended December 31, 2015			
	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized
	(Dollars in thousands)							
ACOF III	$ (161,216)	$ 165,790	$ —	$ 4,574	$ (4,925)	$ 95,345	$ —	$ 90,420
ACOF IV	(41,807)	223,378	—	181,571	(10,545)	20,057	—	9,512
Other funds	(27,139)	32,207	(2,926)	2,142	(9,380)	10,262	(13,004)	(12,122)
Total Private Equity Group	**$ (230,162)**	**$ 421,375**	**$ (2,926)**	**$ 188,287**	**$ (24,850)**	**$ 125,664**	**$ (13,004)**	**$ 87,810**

	Year Ended December 31, 2014			
	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized
	(Dollars in thousands)			
ACOF III	$ (9,689)	$ 116,416	$ —	$ 106,727
ACOF IV	—	43,123	—	43,123
Other funds	(36,728)	9,976	(3,942)	(30,694)
Total Private Equity Group	**$ (46,417)**	**$ 169,515**	**$ (3,942)**	**$ 119,156**

Private Equity Group—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Fee Related Earnings:

Fee related earnings decreased $5.9 million , or 7% , to $78.1 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . Fee related earnings were impacted by fluctuations of the following components:

Management Fees. Total management fees decreased by $4.3 million , or 3% , to $147.8 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The decrease was primarily attributable to the absence of management fees from Ares Corporate Opportunities Fund II, L.P. (“ACOF II”) in the current year, from which we generated $3.8 million of fees in the year ended December 31, 2015. In connection with an extension of ACOF II’s term for one year, we agreed to waive management fees starting in the first quarter of 2016. The effective management fee rate decreased by 0.01% from 1.27% for the year ended December 31, 2015 , to 1.26% for the year ended December 31, 2016 .

Compensation and Benefits. Compensation and benefits expenses increased by $2.8 million , or 5% , to $57.0 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The increase is primarily due to an increase in salary and benefits expenses, which were higher due to merit based increases and an increase in headcount in anticipation of Ares Corporate Opportunities Fund V, L.P. ("ACOF V") capital deployment. Additionally, incentive based compensation increased in the current year. Compensation and benefits expenses represented 38.6% of management fees for the year ended December 31, 2016 compared to 35.7% for year ended December 31, 2015 .

General, Administrative and Other Expenses. General, administrative and other expenses decreased by $1.0 million , or 7% , to $14.3 million for the year ended December 31, 2016 compared to the prior year. The decrease was due to the timing of various services delivered over both years. We expect general, administrative and other expenses to increase in 2017 as capital is deployed in ACOF V.

Performance Related Earnings:

Performance related earnings increased $100.9 million to $113.6 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . Performance related earnings were impacted by fluctuations of the following components:

Net Performance Fees. Net performance fees include realized and unrealized performance fees, net of realized and unrealized performance fee compensation. The impact of reversals of previously recognized performance fee revenue and the corresponding performance fee compensation expense is reflected as a reduction in unrealized performance fees and unrealized performance fee compensation.

Net performance fees increased by $65.6 million to $84.4 million for the year ended December 31, 2016 compared to $18.8 million for the year ended December 31, 2015 . The increase in net performance fees for the year ended December 31, 2016 was primarily driven by increases in the valuation of certain underlying portfolio companies within certain of our Private Equity Group’s funds.

Net Investment Income (Loss). Net investment income (loss) increased by $35.3 million from a net investment loss of $6.1 million for the year ended December 31, 2015 to net investment income of $29.2 million for the year ended December 31, 2016 . Net investment income of $29.2 million for the year ended December 31, 2016 was primarily comprised of $15.6 million and $12.6 million of dividends and net realized gains from sales of ACOF III portfolio companies, respectively. In comparison, there was a $6.1 million net investment loss for the year ended December 31, 2015, primarily as a result of net realized and unrealized losses of $17.9 million and $9.8 million on certain investments in the special situations funds and an Asian corporate private equity fund, respectively. These losses were offset by unrealized gains of $21.2 million on certain investments in North America and Europe driven by unrealized appreciation of the fair values of certain underlying investments.

Economic Net Income:

Economic net income is comprised of fee related earnings and performance related earnings. Economic net income increased $95.0 million , or 98% , to $191.6 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of the fluctuations described above.

Distributable Earnings:

DE increased $57.2 million, or 62%, to $149.0 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . DE was positively impacted by increases in net realized performance fees and net realized investment and other income of $40.5 million and $23.0 million, respectively. The increases were partially offset by a $5.9 million decrease in FRE.

Private Equity Group—Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Fee Related Earnings:

Fee related earnings increased $40.1 million, or 91%, to $84.0 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. Fee related earnings were impacted by fluctuations of the following components:

Management Fees. Total management fees increased by $58.1 million, or 62%, to $152.1 million for the year ended December 31, 2015 compared to 2014. The increase was primarily attributable to incremental fees of $56.5 million related to new management fee contracts acquired in connection with the acquisition of EIF in the first quarter of 2015 and the launch of a successor special situations fund which generated an additional $3.7 million in management fees for the year ended December 31, 2015. The increase was partially offset by a $1.7 million decrease due to the sale of portfolio company investments in ACOF II, reducing invested capital on which fees are earned. The effective management fee rate increased by 0.01% from 1.28% for the year ended December 31, 2014, to 1.27% for the year ended December 31, 2015.

Compensation and Benefits. Compensation and benefits expenses increased by $14.0 million, or 35%, to $54.2 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was primarily driven by incremental compensation expenses from the addition of personnel in connection with the EIF acquisition, as well as merit based increases. Compensation and benefits expenses represented 35.7% of management fees for the year ended December 31, 2015 compared to 42.8% for year ended December 31, 2014.

General, Administrative and Other Expenses. General, administrative and other expenses increased by $5.2 million, or 52%, to $15.3 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was primarily attributable to increases in occupancy and office expenses related to additional personnel associated with the EIF acquisition.

Performance Related Earnings:

Performance related earnings decreased $68.1 million to $12.7 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. Performance related earnings were impacted by fluctuations of the following components:

Net Performance Fees. Net performance fees decreased by $16.6 million, or 47%, to $18.8 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease in net performance fees for the year ended December 31, 2015 was primarily driven by decreases in the valuation of certain underlying portfolio companies within certain of our Private Equity Group's funds.

Net Investment Income (Loss). Net investment income (loss) decreased by $51.5 million from net investment income of $45.4 million for the year ended December 31, 2014 to a net investment loss of $6.1 million for the year ended December 31, 2015. The decrease in net investment income for the year ended December 31, 2015 was driven by net investment losses of $32.6 million and $23.0 million in a corporate private equity fund with investments based in Asia and the special situations funds, respectively, primarily due to decreases in market values of certain portfolio companies and underlying assets.

Economic Net Income:

Economic net income decreased $28.0 million, or 22%, to $96.7 million for the year ended December 31, 2015 compared to the year ended December 31, 2014 as a result of the fluctuations described above.

Distributable Earnings:

DE increased $15.6 million, or 20%, to $91.8 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. DE was positively impacted by an increase in FRE of $40.1 million, partially offset by decreases in net realized performance fees and net realized investment and other income of $8.3 million and $14.9 million, respectively.

Private Equity Group—Assets Under Management

The tables below provide the period-to-period rollforwards of AUM for the Private Equity Group for the years ended December 31, 2016, 2015 and 2014 (in millions):

	Corporate Private Equity(1)	Private Equity - EIF	Special Situations	Total Private Equity Group
Balance at 12/31/2015	**$ 15,908**	**$ 5,207**	**$ 1,863**	**$ 22,978**
Net new equity commitments	2,184	130	—	2,314
Distributions	(1,886)	(372)	(261)	(2,519)
Change in fund value	1,956	178	134	2,268
Balance at 12/31/2016	**$ 18,162**	**$ 5,143**	**$ 1,736**	**$ 25,041**
Average AUM(3)	**$ 17,651**	**$ 5,102**	**$ 1,800**	**$ 24,553**

	Corporate Private Equity(2)	Private Equity - EIF	Special Situations	Total Private Equity Group
Balance at 12/31/2014	**$ 10,135**	**$ —**	**$ 1,952**	**$ 12,087**
Acquisitions	—	4,581	—	4,581
Net new equity commitments	5,696	594	410	6,700
Distributions	(728)	(292)	(61)	(1,081)
Change in fund value	805	324	(438)	691
Balance at 12/31/2015	**$ 15,908**	**$ 5,207**	**$ 1,863**	**$ 22,978**
Average AUM(3)	**$ 11,366**	**$ 3,717**	**$ 2,032**	**$ 17,115**

	Corporate Private Equity	Special Situations	Total Private Equity Group
Balance at 12/31/2013	**$ 9,862**	**$ 1,523**	**$ 11,385**
Net new equity commitments	—	668	668
Distributions	(593)	(300)	(893)
Change in fund value	866	61	927
Balance at 12/31/2014	**$ 10,135**	**$ 1,952**	**$ 12,087**
Average AUM(3)	**$ 9,999**	**$ 1,738**	**$ 11,737**

(1) Net new equity commitments in 2016 includes $2.1 billion of commitments to ACOF V.

(2) Net new equity commitments in 2015 represents commitments to ACOF V.

(3) For the years ending December 31, 2016 and 2015, average AUM represents a five-point average of quarter-end balances for each period, whereas average AUM for the year ended December 31, 2014 reflects the simple average of the beginning and ending balance for the year.

Private Equity Group—Fee Paying AUM

The tables below provide the period-to-period rollforwards of fee paying AUM, previously referred to as fee earning AUM, for the Private Equity Group for the years ended December 31, 2016, 2015 and 2014 (in millions):

	Corporate Private Equity	Private Equity - EIF	Special Situations	Total Private Equity Group
FPAUM Balance at 12/31/2015	**$ 6,957**	**$ 4,454**	**$ 1,051**	**$ 12,462**
Commitments	29	130	—	159
Subscriptions/deployment/increase in leverage	52	45	(4)	93
Redemptions/distributions/decrease in leverage	(288)	(46)	(331)	(665)
Change in fund value	—	(80)	(88)	(168)
Change in fee basis	(296)	(271)	—	(567)
FPAUM Balance at 12/31/2016	**$ 6,454**	**$ 4,232**	**$ 628**	**$ 11,314**
Average FPAUM(1)	**$ 6,652**	**$ 4,306**	**$ 842**	**$ 11,800**

	Corporate Private Equity	Private Equity - EIF	Special Situations	Total Private Equity Group
FPAUM Balance at 12/31/2014	**$ 7,172**	**$ —**	**$ 530**	**$ 7,702**
Acquisitions	—	4,046	—	4,046
Commitments	—	523	—	523
Subscriptions/deployment/increase in leverage	39	134	518	691
Redemptions/distributions/decrease in leverage	(149)	(247)	(18)	(414)
Change in fund value	—	(2)	(29)	(31)
Change in fee basis	(105)	—	50	(55)
FPAUM Balance at 12/31/2015	**$ 6,957**	**$ 4,454**	**$ 1,051**	**$ 12,462**
Average FPAUM(1)	**$ 7,031**	**$ 3,265**	**$ 859**	**$ 11,155**

	Corporate Private Equity	Special Situations	Total Private Equity Group
FPAUM Balance at 12/31/2013	**$ 7,212**	**$ 643**	**$ 7,855**
Subscriptions/deployment/increase in leverage	322	106	428
Redemptions/distributions/decrease in leverage	(362)	(107)	(469)
Change in fund value	—	84	84
Change in fee basis	—	(196)	(196)
FPAUM Balance at 12/31/2014	**$ 7,172**	**$ 530**	**$ 7,702**
Average FPAUM(1)	**$ 7,192**	**$ 587**	**$ 7,779**

(1) For the years ending December 31, 2016 and 2015, average AUM represents a five-point average of quarter-end balances for each period, whereas average AUM for the year ended December 31, 2014 reflects the simple average of the beginning and ending balance for the year.

The components of fee paying AUM for the Private Equity Group are presented below for each period.

	As of December 31,		
	2016	**2015**	**2014**
		(Dollars in millions)	
Fee paying AUM based on capital commitments	$ 4,980	$ 6,562	$ 4,555
Fee paying AUM based on invested capital	6,334	5,900	3,147
Total fee paying AUM	**$ 11,314**	**$ 12,462**	**$ 7,702**

Private Equity Group fee paying AUM may vary from AUM for variety of reasons. The reconciliation of AUM to fee paying AUM for the Private Equity Group is presented below for each period.

	As of December 31,		
	2016	2015	2014
	(Dollars in millions)		
AUM	**$ 25,041**	**$ 22,978**	**$ 12,087**
General partner and affiliates	(972)	(1,019)	(740)
Undeployed/undrawn commitments	(1,713)	(1,758)	(1,895)
Market value/other	(2,858)	(2,143)	(1,552)
Fees not activated	(7,600)	(5,446)	—
Fees deactivated	(584)	(150)	(198)
Fee paying AUM	**$ 11,314**	**$ 12,462**	**$ 7,702**

Private Equity Group—Fund Performance Metrics as of December 31, 2016

The Private Equity Group managed 23 commingled funds and related co-investment vehicles as of December 31, 2016 . ACOF III, ACOF IV, U.S. Power Fund III ("USPF III") and U.S. Power Fund IV ("USPF IV"), each considered a significant fund, combined for approximately 84% of the Private Equity Group's management fees for the year ended December 31, 2016 . Our Corporate Private Equity funds focus on majority or shared-control investments, principally in under-capitalized companies in North America, Europe and Asia. ACOF III is in harvest mode, meaning it is generally not seeking to deploy capital into new investment opportunities, while ACOF IV is in deployment mode. Each of our U.S. power and energy infrastructure funds focuses on generating long-term, stable cash-flowing investments in the power generation, transmission and midstream energy sector. USPF III and USPF IV, acquired in connection with the acquisition of EIF in January 2015, are in harvest mode and deployment mode, respectively.

The following table presents the performance data for our significant funds in the Private Equity Group, all of which are drawdown funds:

		As of December 31, 2016 (Dollars in millions)						MoIC		IRR(%)		
Fund	Year of Inception	AUM	Original Capital Commitments	Cumulative Invested Capital	Realized Proceeds(1)	Unrealized Value(2)	Total Value	Gross(3)	Net(4)	Gross(5)	Net(6)	Investment Strategy
USPF III	2007	$ 1,406	$ 1,350	$ 1,808	$ 1,280	$ 1,397	$ 2,677	1.5x	1.5x	9.1	6.5	U.S. Power and Energy Infrastructure
ACOF III	2008	$ 3,738	$ 3,510	$ 3,867	$ 5,517	$ 3,336	$ 8,853	2.3x	2.0x	30.3	22.0	Corporate Private Equity
USPF IV	2010	$ 1,951	$ 1,688	$ 1,623	$ 649	$ 1,673	$ 2,322	1.4x	1.4x	14.4	11.5	U.S. Power and Energy Infrastructure
ACOF IV	2012	$ 5,838	$ 4,700	$ 3,306	$ 786	$ 4,391	$ 5,177	1.6x	1.4x	22.4	14.2	Corporate Private Equity

(1) Realized proceeds represents the sum of all cash dividends, interest income, other fees and cash proceeds from realizations of interests in portfolio investments.
(2) Unrealized value represents the fair market value of remaining investments. There can be no assurance that unrealized investments will be realized at the valuations indicated.
(3) The gross MoIC is calculated at the investment-level and is based on the interests of all partners. The gross MoIC is before giving effect to management fees, performance fees as applicable and other expenses.
(4) The net MoIC for the U.S. power and energy infrastructure funds is calculated at the fund-level. The net MoIC for the corporate private equity funds is calculated at the investment-level. For all funds, the net MoIC is based on the interests of the fee-paying limited partners and if applicable, excludes those interests attributable to the non-fee paying limited partners and/or the general partner who does not pay management fees or performance fees. The net MoIC is after giving effect to management fees, performance fees as applicable and other expenses.
(5) The gross IRR is an annualized since inception gross internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. Gross IRRs reflect returns to all partners. Cash flows used in the gross IRR calculation are assumed to occur at month-end. The gross IRRs are calculated before giving effect to management fees, performance fees as applicable, and other expenses.
(6) The net IRR for the U.S. power and infrastructure funds is an annualized since inception net internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. The cash flow dates used in the net IRR calculations are based on the actual dates of the cash flows. The net IRR for the corporate private equity funds is an annualized since inception net internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. Cash flows used in the net IRR calculations are assumed to occur at month end. For all funds, the net IRRs reflect returns to the fee-paying limited partners and if applicable, exclude interests attributable to the non-fee paying limited partners and/or the general partner who does not pay

management fees or performance fees. The net IRRs are calculated after giving effect to management fees, performance fees as applicable, and other expenses.

Real Estate Group

The following table sets forth certain statement of operations data and certain other data of our Real Estate Group segment for the periods presented.

	For the Years Ended December 31,			2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	Favorable (Unfavorable)		Favorable (Unfavorable)	
				$ Change	% Change	$ Change	% Change
	(Dollars in thousands)						
Management fees	$ 66,997	$ 66,045	$ 87,683	$ 952	1 %	$ (21,638)	(25)%
Other fees	854	2,779	4,889	(1,925)	(69)%	(2,110)	(43)%
Compensation and benefits	(39,033)	(40,591)	(47,174)	1,558	4 %	6,583	14 %
General, administrative and other expenses	(10,124)	(15,044)	(15,632)	4,920	33 %	588	4 %
Fee Related Earnings	**18,694**	**13,189**	**29,766**	5,505	42 %	(16,577)	(56)%
Performance fees-realized	11,401	9,516	1,856	1,885	20 %	7,660	NM
Performance fees-unrealized	17,334	15,179	17,408	2,155	14 %	(2,229)	(13)%
Performance fee compensation-realized	(2,420)	(1,826)	—	(594)	(33)%	(1,826)	NM
Performance fee compensation-unrealized	(13,517)	(8,553)	(2,830)	(4,964)	(58)%	(5,723)	(202)%
Net performance fees	12,798	14,316	16,434	(1,518)	(11)%	(2,118)	(13)%
Investment income-realized	931	2,658	2,344	(1,727)	(65)%	314	13 %
Investment income (loss)-unrealized	5,418	1,522	(61)	3,896	256 %	1,583	NM
Interest and other investment income	1,661	259	265	1,402	NM	(6)	(2)%
Interest expense	(1,056)	(977)	(1,137)	(79)	(8)%	160	14 %
Net investment income	6,954	3,462	1,411	3,492	101 %	2,051	145 %
Performance related earnings	**19,752**	**17,778**	**17,845**	1,974	11 %	(67)	< (1)%
Economic net income	**$ 38,446**	**$ 30,967**	**$ 47,611**	7,479	24 %	(16,644)	(35)%
Distributable earnings	**$ 24,191**	**$ 17,615**	**$ 10,460**	6,576	37 %	7,155	68 %

NM - Not Meaningful

Accrued performance fees for the Real Estate Group are comprised of the following:

	As of December 31, 2016	As of December 31, 2015
	(Dollars in thousands)	
EPEP	$ 10,773	$ 11,354
US VIII	12,575	3,092
EU IV	4,052	—
Other real estate funds	11,228	4,042
Subtotal	**38,628**	**18,488**
Other fee generating funds(1)	16,675	24,623
Total Real Estate Group	**$ 55,303**	**$ 43,111**

(1) Relates to investment income from AREA Sponsor Holdings LLC that is reclassified for segment reporting to align with the character of the underlying income generated.

Net performance fee revenues for the Real Estate Group are comprised of the following:

	Year Ended December 31, 2016			Year Ended December 31, 2015			Year Ended December 31, 2014		
	Realized	Unrealized	Net	Realized	Unrealized	Net	Realized	Unrealized	Net
	(Dollars in thousands)								
EPEP	$ 3,624	$ 1,253	$ 4,877	$ —	$ 7,783	$ 7,783	$ —	$ 3,979	$ 3,979
US VIII	—	9,482	9,482	—	2,393	2,393	—	699	699
EU IV	—	4,052	4,052	—	—	—	—	—	—
Other real estate funds	410	7,435	7,845	3,044	4,079	7,123	—	—	—
Subtotal	**4,034**	**22,222**	**26,256**	**3,044**	**14,255**	**17,299**	**—**	**4,678**	**4,678**
Other fee generating funds(1)	7,367	(4,888)	2,479	6,472	924	7,396	1,856	12,730	14,586
Total Real Estate Group	**$ 11,401**	**$ 17,334**	**$ 28,735**	**$ 9,516**	**$ 15,179**	**$ 24,695**	**$ 1,856**	**$ 17,408**	**$ 19,264**

(1) Relates to investment income from AREA Sponsor Holdings LLC that is reclassified for segment reporting to align with the character of the underlying income generated.

The following tables present the components of the change in performance fees - unrealized for the Real Estate Group:

	Year Ended December 31, 2016				Year Ended December 31, 2015			
	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized
	(Dollars in thousands)							
EPEP	$ (3,624)	$ 4,877	$ —	$ 1,253	$ —	$ 7,783	$ —	$ 7,783
US VIII	—	9,482	—	9,482	—	2,393	—	2,393
EU IV	—	4,052	—	4,052	—	—	—	—
Other real estate funds	(410)	8,579	(734)	7,435	(3,044)	7,123	—	4,079
Subtotal	**(4,034)**	**26,990**	**(734)**	**22,222**	**(3,044)**	**17,299**	**—**	**14,255**
Other fee generating funds(1)	(7,367)	4,093	(1,614)	(4,888)	(6,472)	7,527	(131)	924
Total Real Estate Group	**$ (11,401)**	**$ 31,083**	**$ (2,348)**	**$ 17,334**	**$ (9,516)**	**$ 24,826**	**$ (131)**	**$ 15,179**

	Year Ended December 31, 2014			
	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized
	(Dollars in thousands)			
EPEP	$ —	$ 3,979	$ —	$ 3,979
US VIII	—	699	—	699
EU IV	—	—	—	—
Other real estate funds	—	—	—	—
Subtotal	**—**	**4,678**	**—**	**4,678**
Other fee generating funds(1)	(1,856)	14,586	—	12,730
Total Real Estate Group	**$ (1,856)**	**$ 19,264**	**$ —**	**$ 17,408**

(1) Relates to investment income from AREA Sponsor Holdings LLC that is reclassified for segment reporting to align with the character of the underlying income generated.

Real Estate Group—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Fee Related Earnings:

Fee related earnings increased $5.5 million , or 42% , to $18.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . Fee related earnings were impacted by fluctuations of the following components:

Management Fees. Total management fees increased by $1.0 million , or 1% , to $67.0 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The increase is primarily attributable to the launch of Ares European Property Enhancement Program II, L.P. ("EPEP II"), which began generating fees in 2016. The effective management fee rate decreased from 1.02% for the year ended December 31, 2015 , to 0.98% for the year ended December 31, 2016 . For certain U.S. equity funds, we earn a portion of our management fees on the cost basis of the unrealized investments and a portion on the unfunded commitments to the funds. The decrease in the management fee rates is a result of additional capital raised for those funds that earn a portion of their fees on unfunded commitments, increasing our fee-earning base, however at a lower rate. We expect management fees and the effective rate to increase as capital is deployed.

Compensation and Benefits. Compensation and benefits expenses decreased by $1.6 million , or 4% , to $39.0 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The decrease is primarily a result of a reduction in headcount, including a reorganization of the group's management team. This was partially offset by an increase in incentive based compensation driven by expanding fee related earnings. Compensation and benefits expenses represented 58.3% of management fees for the year ended December 31, 2016 compared to 61.5% for the year ended December 31, 2015 .

General, Administrative and Other Expenses. General, administrative and other expenses decreased by $4.9 million , or 33% , to $10.1 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . Cost reduction measures resulted in lower travel related expenses, professional services expenses and occupancy expenses compared to the prior year.

Performance Related Earnings:

Performance related earnings increased by $2.0 million to $19.8 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . Performance related earnings were impacted by fluctuations of the following components:

Net Performance Fees. Net performance fees include realized and unrealized performance fees, net of realized and unrealized performance fee compensation. The impact of reversals of previously recognized performance fee revenue and the corresponding performance fee compensation expense is reflected as a reduction in unrealized performance fees and performance fee compensation.

Net performance fees decreased by $1.5 million , or 11% , to $12.8 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The decrease in net performance fees for the year ended December 31, 2016 was primarily driven by an increase in performance fee compensation expense as a percentage of performance fees. Other incentive fee generating funds, while generating positive returns, experienced diminishing returns in comparison to the prior year. The decrease was offset by funds generating performance fees for the first time, including Ares European Real Estate Fund IV (“EU IV”), which generated $1.6 million net performance fees in 2016.

Net Investment Income (Loss). Net investment income increased by $3.5 million to $7.0 million for the year ended December 31, 2016 compared to $3.5 million for the year ended December 31, 2015 . The increase in net investment income was primarily due to increases in valuations of the underlying assets. Our investments in U.S. and E.U. equity funds experienced unrealized market appreciation of $4.6 million and $1.4 million, respectively, for the year ended December 31, 2016 compared to $1.4 million and $0.1 million, respectively, for the year ended December 31, 2015. Of the $4.6 million of unrealized gains in our investments in U.S. equity funds for the year ended December 31, 2016, $2.4 million is attributable to our investment in Ares US Real Estate Fund VIII ("US VIII").

Economic Net Income:

Economic net income is comprised of fee related earnings and performance related earnings. Economic net income increased $7.5 million , or 24% , to $38.4 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of the fluctuations described above.

Distributable Earnings:

DE increased $6.6 million , or 37% , to $24.2 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . DE was positively impacted by an increase in FRE of $5.5 million and an increase of $1.3 million in net realized performance fees.

Real Estate Group—Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Fee Related Earnings:

Fee related earnings decreased $16.6 million, or 56%, to $13.2 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. Fee related earnings were impacted by fluctuations of the following components:

Management Fees. Total management fees decreased by $21.6 million, or 25%, to $66.0 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease was driven by (i) the termination of certain U.S. debt management fee contracts, which reduced management fees by $3.3 million, (ii) fund liquidations occurring during 2015, including EU II and EU III, which decreased fees by $4.4 million and $5.2 million, respectively, (iii) a declining fee basis in certain Real Estate Group equity funds due to sales of investments and distributions, which reduced management fees by $2.9 million and (iv) one-time catch up fees earned by EU IV and U.S. VIII in 2014 attributable to 2013 of $4.5 million and $1.7 million, respectively. The decrease was partially offset by new funds that launched subsequent to December 31, 2014, which increased fees by $4.3 million. The effective management fee rate decreased from 1.35% (net of the impact of 0.10% from one-time catch up fees) for the year ended December 31, 2014, to 1.02% (1.06% excluding unfunded commitments earning fees) for the year ended December 31, 2015. For the year ended December 31, 2014, there were no unfunded commitments earning management fees.

Compensation and Benefits. Compensation and benefits expenses decreased by $6.6 million, or 14%, to $40.6 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. This decrease reflects a change in incentive-based compensation resulting from the alignment of incentive compensation with each segment’s operating results. The decrease was partially offset by merit based increases and increases in headcount. Compensation and benefits expenses represented 61.5% of management fees for the year ended December 31, 2015 compared to 53.8% (adjusted to exclude one-time catchup fees of $6.2 million from management fees) for the year ended December 31, 2014.

General, Administrative and Other Expenses. General, administrative and other expenses decreased by $0.6 million, or 4%, to $15.0 million for the year ended December 31, 2015 compared to the year ended December 31, 2014, primarily due to the consolidation of certain offices in the United States and United Kingdom.

Performance Related Earnings:

Performance related earnings decreased $0.1 million to $17.8 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. Performance related earnings were impacted by fluctuations of the following components:

Net Performance Fees. Net performance fees decreased by $2.1 million, or 13%, to $14.3 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease in net performance fees for the year ended December 31, 2015 was primarily driven by several incentive fee generating funds experiencing diminished returns in comparison to the prior year.

Net Investment Income. Net investment income increased by $2.1 million to $3.5 million for the year ended December 31, 2015 compared to $1.4 million for the year ended December 31, 2014. The increase in net investment income was primarily due to higher unrealized market appreciation, including increases of $0.9 million and $0.5 million in unrealized appreciation of the underlying assets of U.S. VIII and AREA European Property Enhancement Program, L.P. ("EPEP"), respectively.

Economic Net Income:

Economic net income decreased $16.6 million, or 35%, to $31.0 million for the year ended December 31, 2015 compared to the year ended December 31, 2014 as a result of the fluctuations described above.

Distributable Earnings:

DE increased $7.2 million, or 68%, to $17.6 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. DE was positively impacted by an increase in net realized performance fees of $5.8 million, as well as a $17.4 million decrease in non-core expenses, such as acquisition expenses, placement fees and underwriting costs that are excluded from FRE but are reductions from DE. These increases were partially offset by a $16.6 million decrease in FRE.

Real Estate Group—Assets Under Management

The tables below provide the period-to-period rollforwards of AUM for the Real Estate Group for the years ended December 31, 2016, 2015 and 2014 (in millions):

	Real Estate Equity - U.S.	Real Estate Equity - E.U.	Real Estate Debt	Total Real Estate Group
Balance at 12/31/2015	**$ 4,617**	**$ 3,059**	**$ 2,592**	**$ 10,268**
Net new equity commitments	355	470	15	840
Net new debt commitments	—	—	225	225
Distributions	(1,125)	(357)	(331)	(1,813)
Change in fund value	259	(72)	45	232
Balance at 12/31/2016	**$ 4,106**	**$ 3,100**	**$ 2,546**	**$ 9,752**
Average AUM	**$ 4,444**	**$ 3,143**	**$ 2,557**	**$ 10,144**

	Real Estate Equity - U.S.	Real Estate Equity - E.U.	Real Estate Debt	Total Real Estate Group
Balance at 12/31/2014	**$ 4,595**	**$ 2,961**	**$ 3,019**	**$ 10,575**
Net new equity commitments	732	755	(159)	1,328
Net new debt commitments	—	—	105	105
Distributions	(1,037)	(619)	(416)	(2,072)
Change in fund value	327	(38)	43	332
Balance at 12/31/2015	**$ 4,617**	**$ 3,059**	**$ 2,592**	**$ 10,268**
Average AUM	**$ 4,505**	**$ 2,983**	**$ 2,694**	**$ 10,182**

	Real Estate Equity - U.S.	Real Estate Equity - E.U.	Real Estate Debt	Total Real Estate Group
Balance at 12/31/2013	**$ 3,801**	**$ 2,940**	**$ 1,980**	**$ 8,721**
Acquisitions	—	—	(216)	(216)
Net new equity commitments	846	819	877	2,542
Net new debt commitments	—	—	1,155	1,155
Distributions	(585)	(781)	(823)	(2,189)
Change in fund value	533	(17)	46	562
Balance at 12/31/2014	**$ 4,595**	**$ 2,961**	**$ 3,019**	**$ 10,575**
Average AUM	**$ 4,198**	**$ 2,951**	**$ 2,500**	**$ 9,649**

(1) For the years ending December 31, 2016 and 2015, average AUM represents a five-point average of quarter-end balances for each period, whereas average AUM for the year ended December 31, 2014 reflects the simple average of the beginning and ending balance for the year.

Real Estate Group—Fee Paying AUM

The tables below provide the period-to-period rollforwards of fee paying AUM, previously referred to as fee earning AUM, for the Real Estate Group for the years ended December 31, 2016, 2015 and 2014 (in millions):

	Real Estate Equity - U.S.	Real Estate Equity - E.U.	Real Estate Debt	Total Real Estate Group
FPAUM Balance at 12/31/2015	**$ 3,205**	**$ 2,554**	**$ 998**	**$ 6,757**
Commitments	97	365	—	462
Subscriptions/deployment/increase in leverage	397	63	170	630
Redemptions/distributions/decrease in leverage	(842)	(87)	(90)	(1,019)
Change in fund value	34	(132)	40	(58)
Change in fee basis	—	(232)	—	(232)
FPAUM Balance at 12/31/2016	**$ 2,891**	**$ 2,531**	**$ 1,118**	**$ 6,540**
Average FPAUM(1)	**$ 3,011**	**$ 2,581**	**$ 1,077**	**$ 6,669**

	Real Estate Equity - U.S.	Real Estate Equity - E.U.	Real Estate Debt	Total Real Estate Group
FPAUM Balance at 12/31/2014	**$ 3,028**	**$ 2,697**	**$ 393**	**$ 6,118**
Commitments	357	548	83	988
Subscriptions/deployment/increase in leverage	260	8	535	803
Redemptions/distributions/decrease in leverage	(347)	(385)	(65)	(797)
Change in fund value	—	(99)	31	(68)
Change in fee basis	(93)	(215)	21	(287)
FPAUM Balance at 12/31/2015	**$ 3,205**	**$ 2,554**	**$ 998**	**$ 6,757**
Average FPAUM(1)	**$ 2,998**	**$ 2,517**	**$ 693**	**$ 6,208**

	Real Estate Equity - U.S.	Real Estate Equity - E.U.	Real Estate Debt	Total Real Estate Group
FPAUM Balance at 12/31/2013	**$ 2,861**	**$ 2,363**	**$ 1,164**	**$ 6,388**
Acquisitions	—	—	(165)	(165)
Commitments	780	1,183	—	1,963
Subscriptions/deployment/increase in leverage	169	4	—	173
Redemptions/distributions/decrease in leverage	(491)	(628)	(589)	(1,708)
Change in fund value	(29)	(130)	32	(127)
Change in fee basis	(262)	(95)	(49)	(406)
FPAUM Balance at 12/31/2014	**$ 3,028**	**$ 2,697**	**$ 393**	**$ 6,118**
Average FPAUM(1)	**$ 2,945**	**$ 2,530**	**$ 779**	**$ 6,254**

(1) For the years ending December 31, 2016 and 2015, average AUM represents a five-point average of quarter-end balances for each period, whereas average AUM for the year ended December 31, 2014 reflects the simple average of the beginning and ending balance for the year.

Components of fee paying AUM for the Real Estate Group are presented below for each period.

	As of December 31,		
	2016	2015	2014
	(Dollars in millions)		
Fee paying AUM based on capital commitments	$ 3,109	$ 2,936	$ 2,562
Fee paying AUM based on invested capital	3,025	3,425	3,164
Fee paying AUM based on market value/other(1)	406	396	392
Total fee paying AUM	**$ 6,540**	**$ 6,757**	**$ 6,118**

(1) Market value/other includes ACRE fee paying AUM, which is based on ACRE's stockholders' equity.

Real Estate Group fee paying AUM may vary from AUM for a variety of reasons including. The reconciliation of fee paying AUM for the Real Estate Group is presented below for each period.

	As of December 31,		
	2016	2015	2014
	(Dollars in millions)		
AUM	**$ 9,752**	**$ 10,268**	**$ 10,575**
Non fee paying debt	(1,407)	(1,437)	(1,658)
General partner and affiliates	(288)	(254)	(213)
Undeployed/undrawn commitments	(917)	(934)	(1,480)
Market value/other	(206)	(419)	(713)
Fees not activated	—	—	(10)
Fees deactivated	(394)	(467)	(383)
Fee paying AUM	**$ 6,540**	**$ 6,757**	**$ 6,118**

Real Estate Group—Fund Performance Metrics as of December 31, 2016

The Real Estate Group managed 42 funds in real estate debt and real estate equity as of December 31, 2016 . Three funds in our Real Estate Group, each considered a significant fund, combined for approximately 44% of the Real Estate Group's management fees for the year ended December 31, 2016 : EU IV, a commingled fund focused on real estate assets located in Europe, with a focus on the United Kingdom, France and Germany; US VIII, a commingled fund focused on the United States; and EPEP II, a commingled fund focused on Europe. We do not show fund performance metrics for significant funds with less than two years of historical information.

The following table presents the performance data for our significant funds in the Real Estate Group, all of which are drawdown funds:

			As of December 31, 2016 (Dollars in millions)					MoIC		IRR(%)		
Fund	Year of Inception	AUM	Original Capital Commitments	Cumulative Invested Capital	Realized Proceeds(1)	Unrealized Value(2)	Total Value	Gross(3)	Net(4)	Gross(5)	Net(6)	Investment Strategy
EU IV(7)	2014	$ 1,242	$ 1,302	$ 795	$ 45	$ 943	$ 988	1.3x	1.1x	19.1	10.0	E.U. Real Estate Equity
US VIII	2010	$ 839	$ 823	$ 502	$ 56	$ 592	$ 648	1.2x	1.1x	19.6	12.8	U.S. Real Estate Equity
EPEP II	2015	$ 697	$ 747	$ 175	$ 8	$ 185	$ 193	1.1x	1.0x	N/A	N/A	E.U. Real Estate Equity

(1) Realized proceeds include distributions of operating income, sales and financing proceeds received.
(2) Unrealized value represents the fair market value of remaining investments. There can be no assurance that unrealized investments will be realized at the valuations indicated.
(3) The gross MoIC is calculated at the investment level. For EU IV, the gross MoIC is based on the interests of the fee-paying partners and, if applicable, excludes interests attributable to the non fee-paying partners and/or the general partner who does not pay management fees or performance fees. For US VIII and EPEP II, the gross MoIC is based on the interests of all partners. The gross MoIC for all funds is before giving effect to management fees, performance fees as applicable and other expenses.
(4) The net MoIC is calculated at the fund-level and is based on the interests of the fee-paying partners and, if applicable, excludes interests attributable to the non fee-paying partners and/or the general partner who does not pay management fees or performance fees. The net MoIC is after giving effect to management fees, performance fees as applicable and other expenses.
(5) The gross IRR is an annualized since inception gross internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. Gross IRRs reflect returns to all partners. Cash flows used in the gross IRR calculation are assumed to occur at quarter-end. The gross IRRs are calculated before giving effect to management fees, performance fees as applicable, and other expenses.
(6) The net IRR is an annualized since inception net internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Net IRRs reflect returns to the fee-paying partners and, if applicable, excludes interests attributable to the non fee-paying partners and/or the general partner who does not pay management fees or performance fees. The cash flow dates used in the net IRR calculation are based on the actual dates of the cash flows. The net IRRs are calculated after giving effect to management fees, performance fees as applicable, and other expenses.
(7) EU IV is made up of two parallel funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net MoIC and gross and net IRR presented in the chart are for the U.S. dollar denominated parallel fund as that is the larger of the two funds. The gross and net IRRs for the Euro denominated parallel fund are 19.5% and 10.7%, respectively. The gross and net MoIC for the Euro denominated parallel fund are 1.2x and 1.1x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of fund's closing. All other values for EU IV are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate.

Operations Management Group

The following table sets forth certain statement of operations data and certain other data of the OMG on a standalone basis for the periods presented.

	For the Years Ended December 31,			2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	Favorable (Unfavorable)		Favorable (Unfavorable)	
				$ Change	% Change	$ Change	% Change
	(Dollars in thousands)						
Compensation and benefits	$ (111,599)	$ (98,065)	$ (90,250)	$ (13,534)	(14)%	$ (7,815)	(9)%
General, administrative and other expenses	(63,530)	(59,783)	(52,817)	(3,747)	(6)%	(6,966)	(13)%
Fee Related Earnings	**(175,129)**	**(157,848)**	**(143,067)**	(17,281)	(11)%	(14,781)	(10)%
Investment loss-realized	(14,606)	(23)	—	(14,583)	NM	(23)	NM
Investment income (loss)-unrealized	(2,197)	52	—	(2,249)	NM	52	NM
Interest and other investment income (expense)	149	379	—	(230)	(61)%	379	NM
Interest expense	(2,727)	(1,158)	—	(1,569)	(135)%	(1,158)	NM
Net investment loss	(19,381)	(750)	—	(18,631)	NM	(750)	NM
Performance related earnings	**(19,381)**	**(750)**	—	(18,631)	NM	(750)	NM
Economic net income	**$ (194,510)**	**$ (158,598)**	**$ (143,067)**	(35,912)	(23)%	(15,531)	(11)%
Distributable earnings	**$ (211,564)**	**$ (167,917)**	**$ (148,849)**	(43,647)	(26)%	(19,068)	(13)%

NM - Not Meaningful

Operations Management Group—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Fee Related Earnings:

Fee related earnings decreased $17.3 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . Fee related earnings were impacted by fluctuations of the following components:

Compensation and Benefits. Compensation and benefits expenses increased by $13.5 million , or 14% , to $111.6 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 , primarily due to increases in headcount as part of an effort to reduce our reliance on professional service providers by internalizing certain corporate support functions. In addition, incentive-based compensation increased for the year ended December 31, 2016 compared to the prior year. Administrative fees, which are presented as a reduction to compensation and benefits expense, increased by $2.4 million for the ended December 31, 2016, partially offsetting the increase in compensation and benefits expenses in the current year period.

General, Administrative and Other Expenses. General, administrative and other expenses increased by $3.7 million , or 6% , to $63.5 million for year ended December 31, 2016 compared to the year ended December 31, 2015 . In 2016 we realigned certain general, administrative and other expenses with our operating activities, resulting in an increase in occupancy expenses recognized within OMG. Administrative fees, which are also presented as a reduction to general, administrative and other expenses, decreased by $1.9 million in for the year ended December 31, 2016, resulting in a net increase in general, administrative and other expenses compared to the prior year. Conversely, professional services expenses decreased due to cost containment initiatives during the current year.

Performance Related Earnings:

Performance related earnings decreased $18.6 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . Performance related earnings were impacted by the fluctuation in net investment loss:

Net Investment Loss. Net investment losses were $19.4 million and $0.8 million for the years ended December 31, 2016 and 2015 , respectively. Prior to the fourth quarter of 2015, there was no investment activity within OMG. During the year ended December 31, 2016, we realized a $20.0 million loss on our minority interest, equity method investment in Deimos Management Holdings LLC due to the winding down of its operations. The realized loss was partially offset by net realized gains of $5.5 million from other fund investments in non-core investment strategies. Additionally, interest expense of $2.7 million was allocated to OMG, contributing to the net investment loss for the year ended December 31, 2016.

Economic Net Income:

Economic net income is comprised of fee related earnings and performance related earnings. Economic net income decreased $35.9 million , or 23% , for the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of the fluctuations described above.

Distributable Earnings:

DE decreased $43.6 million , or 26% , for the year ended December 31, 2016 compared to the year ended December 31, 2015 . DE was negatively impacted by a decrease of $17.3 million in FRE. In addition, net realized investment and other losses increased $16.4 million for the year ended December 31, 2016.

Operations Management Group—Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Fee Related Earnings:

Fee related earnings decreased $14.8 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. Fee related earnings were impacted by fluctuations of the following components:

Compensation and Benefits. Compensation and benefits expenses increased by $7.8 million, or 9%, to $98.1 million for the year ended December 31, 2015 compared to the year ended December 31, 2014, primarily due to increases in headcount from the expansion of our infrastructure groups and the addition of personnel hired in connection with the 2015 acquisitions. This increase was partially offset by a decrease in incentive-based compensation resulting from the alignment of incentive compensation with operating results. Administrative fees, which are presented as a reduction to compensation and benefits expenses, decreased by $2.6 million in for the year ended December 31, 2015, resulting in a net increase in compensation and benefits expenses compared to 2014.

General, Administrative and Other Expenses. General, administrative and other expenses increased by $7.0 million, or 13%, to $59.8 million for year ended December 31, 2015 compared to the year ended December 31, 2014. Occupancy, communication and information systems costs increased for the year ended December 31, 2015 to support our global platform expansion.

Performance Related Earnings:

Performance related earnings decreased $0.8 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. Performance related earnings reflect $0.8 million of net investment loss from non-core investment strategies.

Economic Net Income:

Economic net income decreased $15.5 million, or 11%, for the year ended December 31, 2015 compared to the year ended December 31, 2014 as a result of the fluctuations described above.

Distributable Earnings:

DE decreased $19.1 million, or 13%, for the year ended December 31, 2015 compared to the year ended December 31, 2014. DE was negatively impacted by a decrease of $14.8 million in FRE and a $3.5 million increase in non-core expenses, such as acquisition expenses, placement fees and underwriting costs that are excluded from FRE but are reductions from DE.

Reconciliation of Certain Non-GAAP Measures to Consolidated GAAP Financial Measures

Income before provision for income taxes is the GAAP financial measure most comparable to ENI, FRE, PRE and DE. For a detailed reconciliation of certain non-GAAP measures to our most comparable consolidated GAAP financial measure, see Note 18, “Segment Reporting,” to our consolidated financial statements included in this Annual Report on Form 10-K.

Liquidity and Capital Resources

Sources and Uses of Liquidity

Our sources of liquidity are (1) cash on hand, (2) net working capital, (3) cash from operations, including management fees, which are collected monthly, quarterly or semi-annually, net realized performance fees, which are unpredictable as to amount and timing and fund distributions related to our investments that are also unpredictable as to amount and timing, and (4) net borrowing provided by the Credit Facility. As of December 31, 2016 , our cash and cash equivalents were $342.9 million , including investments in money market funds, and we had no borrowings outstanding under the Credit Facility. The ability to make drawings under the Credit Facility is subject to a leverage covenant. We believe that these sources of liquidity will be sufficient to fund our working capital requirements and to meet our commitments in the ordinary course of business for the foreseeable future.

We expect that our primary liquidity needs will continue to be to (1) provide capital to facilitate the growth of our existing investment management businesses, (2) fund a portion of our investment commitments, (3) provide capital to facilitate our expansion into businesses that are complementary to our existing investment management businesses, (4) pay operating expenses, including cash compensation to our employees and payments under the tax receivable agreement ("TRA"), (5) fund capital expenditures, (6) service our debt, (7) pay income taxes and (8) make distributions to our common and preferred unitholders in accordance with our distribution policy.

In the normal course of business, we have made distributions to our existing owners, including distributions sourced from investment income and performance fees. If cash flow from operations were insufficient to fund distributions over a sustained period of time, we expect that we would suspend paying such distributions. Unless quarterly distributions have been declared and paid (or declared and set apart for payment) on the preferred units, we may not declare or pay or set apart payment for distributions on any common units during the period. Dividends on the preferred units are not cumulative and the preferred units are not convertible into common units or any other security.

Net realized performance fees also provide a source of liquidity. Performance fees are realized when a portfolio investment is profitably disposed of and the fund's cumulative returns are in excess of the preferred return or hurdle rate. Performance fees are typically realized at the end of each fund's measurement period when investment performance exceeds a stated benchmark or hurdle rate.

Our accrued performance fees by segment as of December 31, 2016 , gross and net of accrued contingent repayment obligations, are set forth below:

	As of December 31, 2016		
	Accrued Performance Fees	Eliminations(1)	Consolidated Accrued Performance Fees
Segment		(Dollars in thousands)	
Credit Group	$ 104,952	$ (4,680)	$ 100,272
Private Equity Group	623,849	(3,650)	620,199
Real Estate Group	38,628	—	38,628
Total	**$ 767,429**	**$ (8,330)**	**$ 759,099**

(1) Amounts represent accrued performance fees earned from Consolidated Funds that are eliminated in consolidation.

Our consolidated financial statements reflect the cash flows of our operating businesses as well as the results of our Consolidated Funds. The assets of our Consolidated Funds, on a gross basis, are significantly larger than the assets of our operating businesses and therefore have a substantial effect on our reported cash flows. The primary cash flow activities of our Consolidated Funds include: (1) raising capital from third-party investors, which is reflected as non-controlling interests of our Consolidated Funds when required to be consolidated into our consolidated financial statements, (2) financing certain investments by issuing debt, (3) purchasing and selling investment securities, (4) generating cash through the realization of certain investments, (5) collecting interest and dividend income and (6) distributing cash to investors. Our Consolidated Funds are treated as investment companies for financial accounting purposes under GAAP; therefore, the character and classification of all Consolidated Fund transactions are presented as cash flows from operations.

Cash Flows

The significant captions and amounts from our consolidated financial statements, which include the effects of our Consolidated Funds and CLOs in accordance with GAAP, are summarized below. Negative amounts represent a net outflow, or use of cash.

	Year Ended December 31,		
	2016	2015	2014
	(Dollars in millions)		
Statements of cash flows data			
Net cash provided by (used in) operating activities	$ (626)	$ (528)	$ 1,533
Net cash used in investing activities	(12)	(75)	(77)
Net cash provided by (used in) financing activities	881	582	(1,364)
Effect of foreign exchange rate change	(22)	(6)	(33)
Net change in cash and cash equivalents	**$ 221**	**$ (27)**	**$ 59**

Operating Activities

Net cash provided by (used in) operating activities is primarily driven by our earnings in the respective periods after adjusting for non-cash compensation and performance fees. Cash used to purchase investments, as well as the proceeds from the sale of such investments, is also reflected in the operating activities of the Company and our Consolidated Funds.

Our net cash flows used in operating activities were $625.7 million and $528.0 million for the years ended December 31, 2016 and 2015, respectively, compared to $1.5 billion of net cash provided by operating activities for the year ended December 31, 2014. The change in cash provided by operating activities was primarily driven by investments activities in our Consolidated Funds. For the years ended December, 31 2016 and 2015, net purchases from investments by our Consolidated Funds were $765.5 million and $593.3 million, respectively, compared to net proceeds of $1.2 billion, for the year ended December, 31 2014. Our increasing working capital needs reflect the growth of our business, while the capital requirements needed to support fund-related activities vary based upon the specific investment activities being conducted during such period. The movements within our Consolidated Funds do not adversely impact our liquidity or earnings trends. We believe that our ability to generate cash from operations, as well as the capacity under the Credit Facility, provides us with the necessary liquidity to manage short-term fluctuations in working capital and to meet our short-term commitments.

Investing Activities

Our investing activities generally reflect cash used for certain acquisitions and purchases of fixed assets. Purchases of fixed assets were $11.9 million, $10.7 million and $16.7 million for the years ended December 31, 2016, 2015 and 2014, respectively. For the year ended December 31, 2014, we expanded office space, attributable to acquisitions that occurred in 2014, as well as consolidated our London based operations and our New York offices each into one office location, which resulted in a larger amount of fixed asset purchases that included leasehold improvements.

In connection with certain business combinations and acquisitions, we record the fair value of management contracts and other finite-lived assets as intangible assets. During the year ended December 31, 2015, we used $64.4 million of cash, net of cash acquired, to complete the EIF acquisition, and during the year ended December 31, 2014, we used $60.0 million of cash to purchase Keltic Financial Services LLC ("Keltic").

Financing Activities

Net cash flows provided by financing activities was $880.8 million and $581.5 million for the years ended December 31, 2016 and 2015 respectively, compared to $1.4 billion of net cash used in financing activities for the year ended December 31, 2014. Financing activities represented a use of cash for the year ended December 31, 2014 as a significant number of the Consolidated Funds were beyond their reinvestment periods or were liquidating. For the years ended December 31, 2015 and 2016, financing activities represented a source of cash primarily due to net proceeds from credit facilities, senior notes, term loans and contribution from preferred stock issuance, which were offset by distributions to preferred, AOG and common unitholders. Offsetting cash provided by financing activities in 2016, was the $40 million payment made as a result of put options issued in connection with our 2011 acquisition of Indicus Advisors, LLP ("Indicus") (see "Exercise of Indicus Fixed Put Option" within this section).

Net repayments on our debt obligations were $84.0 million for the year ended December 31, 2016, compared to net proceeds of $133.4 million and $92.6 million for the years ended December 31, 2015 and 2014, respectively. For our Consolidated Funds, net proceeds from our debt obligations were $905.0 million and $662.9 million for the years ended December 31, 2016 and 2015, respectively, compared to net repayments of $323.5 million for the year ended 2014. The increase in net borrowing activity during the year was primarily related to activities of new funds launched by our Consolidated Funds in the year ending December 31, 2016.

Proceeds from the issuance of preferred equity offering, net of issuance costs, resulted in a cash inflow of $298.8 million for the year ended December 31, 2016. For the year ended December 31, 2014, proceeds from the issuance of common units in our initial public offering, net of $28.6 million issuance costs, resulted in a cash inflow of $180.6 million.

Distributions to our AOG unitholders and common unitholders were $200.7 million, $217.8 million and $329.9 million for the years ended December 31, 2016, 2015 and 2014, respectively. For our Consolidated Funds, net contributions were $14.5 million and $2.8 million for the years ended December 31, 2016 and 2015, respectively, compared to net distributions of $983.8 million for the years ended December 31, 2014.

Capital Resources

The following table summarizes the Company's debt obligations (in thousands):

			As of December 31, 2016		As of December 31, 2015	
	Maturity	Original Borrowing Amount	Carrying Value	Interest Rate	Carrying Value	Interest Rate
Credit Facility(1)	4/30/2019	N/A	$ —	—	$ 110,000	2.11%
Senior Notes(2)	10/8/2024	$ 250,000	244,684	4.21%	244,077	4.21%
2015 Term Loan(3)	7/29/2026	$ 35,250	35,063	2.74%	35,043	2.18%
2016 Term Loan(4)	1/15/2029	$ 26,376	26,037	2.66%	—	N/A
Total debt obligations			**$ 305,784**		**$ 389,120**	

(1) The AOG entities are borrowers under the Credit Facility, which provides a $1.03 billion revolving line of credit with the ability to upsize to $1.28 billion (subject to obtaining commitments for any such additional borrowing capacity). It has a variable interest rate based on either LIBOR or a base rate plus an applicable margin with an unused commitment fee paid quarterly, which is subject to change with the Company’s underlying credit agency rating. As of December 31, 2016, base rate loans bear interest calculated based on the base rate plus 0.75% and the LIBOR rate loans bear interest calculated based on LIBOR plus 1.75%. The unused commitment fee is 0.25% per annum. There is a base rate and LIBOR floor of zero .

(2) The Senior Notes were issued in October 2014 by Ares Finance Co. LLC (“AFC”), a subsidiary of the Company, at 98.268% of the face amount with interest paid semi-annually. The Company may redeem the Senior Notes prior to maturity, subject to the terms of the indenture .

(3) The 2015 Term Loan was entered into in August 2015 by a subsidiary of the Company that acts as a manager to a CLO. The 2015 Term Loan is secured by collateral in the form of CLO senior tranches owned by the Company. To the extent the assets are not sufficient to cover the Term Loan, there is no further recourse to the Company to fund or repay the remaining balance. Interest is paid quarterly, and the Company also pays a fee of 0.025% of a maximum investment amount .

(4) The 2016 Term Loan was entered into in December 2016 by a subsidiary of the Company that acts as a manager to a CLO. The 2016 Term Loan is secured by collateral in the form of CLO senior tranches and subordinated notes owned by the Company. To the extent the assets are not sufficient to cover the Term Loan, there is no further recourse to the Company to fund or repay the remaining balance. Interest is paid quarterly, and the Company also pays a fee of 0.03% of a maximum investment amount.

As of December 31, 2016 , we were in compliance with all covenants under the Credit Facility, Senior Notes and Term Loan obligations.

On February 24, 2017, we amended our Credit Facility to, among other things, increase the size of the Credit Facility from $1.03 billion to $1.04 billion and extend the maturity date from April 2019 to February 2022. Based on our current credit agency ratings, the stated interest rate was reduced to LIBOR plus 1.50% from LIBOR plus 1.75% and the unused commitment fee was reduced to 0.20% from 0.25%.

We intend to use a portion of our available liquidity to make cash distributions to our preferred and common unitholders on a quarterly basis in accordance with our distribution policies. Our ability to make cash distributions to our preferred and common unitholders is dependent on a myriad of factors, including among others: general economic and business conditions; our strategic plans and prospects; our business and investment opportunities; timing of capital calls by our funds in support of our commitments; our financial condition and operating results; working capital requirements and other anticipated cash needs; contractual restrictions and obligations; legal, tax and regulatory restrictions; restrictions on the payment of distributions by our subsidiaries to us and other relevant factors.

We are required to maintain minimum net capital balances for regulatory purposes for our United Kingdom subsidiary and for our subsidiary that operates as a broker-dealer. These net capital requirements are met in part by retaining cash, cash-equivalents and investment securities. As a result, we may be restricted in our ability to transfer cash between different operating entities and jurisdictions. As of December 31, 2016 , we were required to maintain approximately $20.2 million in liquid net assets within these subsidiaries to meet regulatory net capital and capital adequacy requirements. We remain in compliance with all regulatory requirements.

Holders of AOG Units, subject to the terms of the exchange agreement, may exchange their AOG Units for Ares Management, L.P. common units on a one-for-one basis. Subsequent exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Ares Management, L.P. that otherwise would not have been available. These increases in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that Ares Management, L.P.'s wholly owned subsidiaries that are taxable as corporations for U.S. federal income purposes, which we refer to as the "corporate taxpayers," would otherwise be required to pay in the future. The corporate taxpayers entered into the TRA with the TRA recipients that will provide for the payment by the corporate taxpayers to the TRA Recipients of 85% of the amount of cash savings, if any, in U.S. federal, state, local and foreign income tax or franchise tax that the corporate taxpayers actually realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the TRA, including tax benefits attributable to payments under the TRA and interest accrued thereon. This payment obligation is an obligation of the corporate taxpayers and not of Ares Management, L.P. Future payments under the TRA in respect of subsequent exchanges are expected to be substantial. As of December 31, 2016 , there have been a limited number of exchanges of AOG Units for Ares Management, L.P. common units.

Preferred Equity

In June 2016, we issued preferred equity consisting of 12,400,000 units designated as Series A Preferred Units (the "Preferred Equity"), for a total offering price of $310.0 million. When, as and if declared by the Company's board of directors, distributions on the Preferred Equity are paid quarterly at a rate per annum equal to 7.00%. The Preferred Equity may be redeemable at our option, in whole or in part, at any time on or after June 30, 2021, at a price of $25.00 per unit.

Cash distributions to our common unitholders may be impacted by any corporate tax liability owed by Ares Holdings, Inc. ("AHI"), the wholly owned U.S. corporate subsidiary of the Company. In connection with the Preferred Equity issuance, the Ares Operating Group issued mirror preferred units ("GP Mirror Units") paying the same 7.00% rate per annum to wholly owned subsidiaries of the Company including AHI. Although income allocated in respect of distributions on the GP Mirror Units made to AHI is subject to tax, cash distributions to our preferred unitholders will not be reduced on account of any income taxes owed by AHI. As a result, the amounts ultimately distributed by us to our common unitholders may be reduced by any corporate taxes imposed on AHI.

Exercise of Indicus Fixed Put Option

Upon acquisition of Indicus in November 2011, certain former owners of Indicus ("Indicus Owners") were provided a fixed put option on their equity interest in the Company at an aggregate strike price of $40 million to be exercised during 2016 ("Fixed Price Put Option"). In August 2016, the Indicus Owners exercised their Fixed Price Put Option and in November 2016, we paid these Indicus Owners a total of $40 million to settle the fixed put option in exchange for redemption of their equity interests in the Company.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates or judgments, however, are both subjective and subject to change, and actual results may differ from our assumptions and estimates. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change the underlying assumptions, estimates or judgments. See "—Components of Consolidated Results of

Operations" and Note 2, "Summary of Significant Accounting Policies," to our consolidated financial statements included in this Annual Report on Form 10-K for a summary of our significant accounting estimates.

Principles of Consolidation

We consolidate entities based on either a variable interest model or voting interest model. As such, for entities that are determined to be variable interest entities ("VIEs"), we consolidate those entities where we have both significant economics and the power to direct the activities of the entity that impact economic performance. For limited partnerships and similar entities evaluated under the voting interest model, we do not consolidate those entities for which we act as the general partner. However, the Company continues to consolidate entities in which it holds majority voting interest.

The consolidation guidance requires qualitative and quantitative analysis to determine whether our involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give us a controlling financial interest. This analysis requires judgment. These judgments include: (1) determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (2) evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity, (3) determining whether two or more parties' equity interests should be aggregated, (4) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity and (5) evaluating the nature of relationships and activities of the parties involved in determining which party within a related-party group is most closely associated with a VIE and hence would be deemed the primary beneficiary.

The holders of the consolidated VIEs' liabilities do not have recourse to us other than to the assets of the consolidated VIEs. The assets and liabilities of the consolidated VIEs are comprised primarily of investments and loans payable, respectively.

Fair Value Measurement

GAAP establishes a hierarchal disclosure framework prioritizing the inputs used in measuring financial instruments at fair value into three levels based on their market observability. Market price observability is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available quoted prices from an active market or where fair value can be measured based on actively quoted prices generally have a higher degree of market price observability and a lesser degree of judgment inherent in measuring fair value.

Financial assets and liabilities measured and reported at fair value are classified as follows:

- *Level I* —Quoted prices in active markets for identical instruments.

- *Level II* —Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; and model-derived valuations with directly or indirectly observable significant inputs. Level II inputs include prices in markets with few transactions, non-current prices, prices for which little public information exists or prices that vary substantially over time or among brokered market makers. Other inputs include interest rates, yield curves, volatilities, prepayment risks, loss severities, credit risks and default rates.

- *Level III*— Valuations that rely on one or more significant unobservable inputs. These inputs reflect the Company's assessment of the assumptions that market participants would use to value the instrument based on the best information available.

In some instances, an instrument may fall into multiple levels of the fair value hierarchy. In such instances, the instrument's level within the fair value hierarchy is based on the lowest of the three levels (with Level III being the lowest) that is significant to the fair value measurement. Our assessment of the significance of an input requires judgment and considers factors specific to the instrument. See Note 6, "Fair Value," to our consolidated financial statements included in this Annual Report on Form 10-K for a summary of our valuation of investments and other financial instruments by fair value hierarchy levels.

The table below summarizes the valuation of investments and other financial instruments included within our AUM, by segment and fair value hierarchy levels, as of December 31, 2016 :

	Credit	Private Equity	Real Estate	Total
	(Dollars in millions)			
Level I	$ 381	$ 1,493	$ —	$ 1,874
Level II	9,761	499	53	10,313
Level III	21,243	11,107	5,138	37,488
Total fair value	31,385	13,099	5,191	49,675
Other net asset value and available capital(1)	29,081	11,942	4,561	45,584
Total AUM	**$ 60,466**	**$ 25,041**	**$ 9,752**	**$ 95,259**

(1) Includes fund net non-investment assets, AUM for funds that are not reported at fair value and available capital (uncalled equity capital and undrawn debt) .

Equity-Based Compensation

We recognize expense related to equity-based compensation in which we receive services from our professionals in exchange for (a) equity instruments of the Company, (b) derivatives based on the Company’s common units, or (c) liabilities that are based on the fair value of the Company’s equity instruments.

Equity-based compensation expense represents expenses associated with the following:

(a) Restricted units, options and phantom units granted under the Ares Management, L.P. 2014 Equity Incentive Plan; and
(b) Conversion and acceleration in vesting of certain existing interests in connection with our Reorganization.

Total compensation expense related to equity-based awards expected to be recognized in all future periods is determined based on the fair value of the respective equity-based award on the grant date, and is recognized on a straight line basis over the requisite service period, where applicable. Compensation expense for a liability award is recognized each reporting period until the liability is settled. The fair value of liability award is remeasured at the end of each reporting period through settlement.

The Company recognizes forfeitures in the period they occur as a reversal of previously recognized compensation expense. The reduction in compensation expense is determined based on the specific awards forfeited during that period and could impact the expense for that period.

We record deferred tax assets for equity-based compensation transactions that result in deductions on our income tax returns based on the amount of equity-based compensation recognized and the statutory tax rate in the jurisdiction in which we will receive a tax deduction.

Restricted Units

Certain restricted units are subject to a lock up provision that expires on the fifth anniversary of the IPO. We used Finnerty’s average strike-price put option model to estimate the discount associated with this lack of marketability to be applied on the closing price of common units on the grant date, using the following key assumptions:

Expected volatility factor(1)	24% to 31 %
Average length of holding period restriction (in years)	1 year
Weighted average expected dividend yield	5.0% to 5.7 %

(1) Expected volatility is based on the Company’s guideline company’s expected volatility.

Options

We estimated the fair value of the options as of the grant date using the Black- Scholes option pricing model. Aggregate intrinsic value represents the value of the Company's closing unit price on the last trading day of the period in excess of the weighted-average exercise price multiplied by the number of options exercisable or expected to vest. The fair value of each option granted during each year is measured on the date of grant using the Black-Scholes option-pricing model and the following weighted average assumptions:

	For the Year Ended December 31,		Period from May 1, 2014 through December 31, 2014
	2016(2)	2015	
Risk-free interest rate	N/A	1.71% to 1.80%	2.06% to 2.22%
Weighted average expected dividend yield	N/A	5.00%	5.00%
Expected volatility factor(1)	N/A	35.00% to 36.00%	34.00% to 35.00%
Expected life in years	N/A	6.66 to 7.49	6.92 to 7.00

(1) Expected volatility is based on comparable companies using daily stock prices.

(2) There were no new options granted during the year ended December 31, 2016.

The fair value of an award is affected by the Company's unit price on the date of grant as well as other assumptions including the estimated volatility of the Company's unit price over the term of the awards and the estimated period of time that management expects employees to hold their unit options. The estimated period of time that management expects employees to hold their options was estimated as the midpoint between the vesting date and maturity date.

Phantom Units

Each phantom unit represents an unfunded, unsecured right of the holder to receive an amount in cash per phantom unit equal to the average closing price of a common unit for the 15 trading days immediately prior to, and the 15 trading days immediately following, the vesting dates. The fair value of the awards is remeasured at each reporting period based on the most recent closing price of common units.

Income Taxes

A substantial portion of our earnings flow through to our owners without being subject to federal income tax at the entity level. A portion of our operations is conducted through a domestic corporation that is subject to corporate level taxes and for which we record current and deferred income taxes at the prevailing rates in the various jurisdictions in which these entities operate.

We use the liability method of accounting for deferred income taxes pursuant to GAAP. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the statutory tax rates expected to be applied in the periods in which those temporary differences are settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change. A valuation allowance is recorded on our net deferred tax assets when it is more likely than not that such assets will not be realized. When evaluating the realizability of our deferred tax assets, all evidence, both positive and negative, is evaluated. Items considered in this analysis include the ability to carry back losses, the reversal of temporary differences, tax planning strategies and expectations of future earnings.

Under GAAP, the amount of tax benefit to be recognized is the amount of benefit that is "more likely than not" to be sustained upon examination. We analyze our tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where we are required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, we determine that uncertainties in tax positions exist, a liability is established, which is included in accounts payable, accrued expenses and other liabilities in our consolidated financial statements. We recognize accrued interest and penalties related to unrecognized tax positions in the provision for income taxes.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties under GAAP. We review our tax positions quarterly and adjust our tax balances as new information becomes available.

Business Combinations

We account for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to the fair value of each asset acquired and liability assumed as of the acquisition date. Contingent consideration obligations are recognized as of the acquisition date at fair value based on the probability that contingency will be realized.

Management's determination of fair value of assets acquired and liabilities assumed at the acquisition date, as well as contingent consideration, are based on the best information available in the circumstances and may incorporate management's own assumptions and involves a significant degree of judgment. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, estimates are then inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

For a given acquisition, management may identify certain pre-acquisition contingencies as of the acquisition date and may extend the review and evaluation of these pre‑acquisition contingencies throughout the measurement period to obtain sufficient information to assess whether management includes these contingencies as a part of the fair value estimates of assets acquired and liabilities assumed and, if so, to determine their estimated amounts. If management cannot reasonably determine the fair value of a pre- acquisition contingency by the end of the measurement period, which is generally the case given the nature of such matters, the Company will recognize an asset or a liability for such pre-acquisition contingency if: (i) it is probable that an asset existed or a liability had been incurred at the acquisition date and (ii) the amount of the asset or liability can be reasonably estimated. Subsequent to the measurement period, changes in the estimates of such contingencies will affect earnings and could have a material effect on the consolidated statements of operations and financial position.

Intangible Assets and Goodwill

Our intangible assets generally consist of contractual rights to earn future management fees and incentive fees from investment funds we acquire. Finite-lived intangibles are amortized on a straight-line basis over their estimated useful lives which range from approximately 1 to 13.5 years and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Goodwill represents the excess of cost over the identifiable net assets of businesses acquired and is recorded in the functional currency of the acquired entity. Goodwill is tested annually for impairment. If, after assessing qualitative factors, we believe that it is more likely than not that the fair value of the reporting unit is less than its carrying value, we will use a two-step process to evaluate impairment. The first step compares the fair value of the reporting unit with its carrying amount, including goodwill. The second step, used to measure the amount of any potential impairment, compares the implied fair value of the reporting unit with the carrying amount of goodwill.

The assessment requires us to make judgments and involves the use of significant estimates and assumptions. These estimates and assumptions include long-term growth rates and margins used to calculate projected future cash flows, risk-adjusted discount rates based on our weighted average cost of capital and future economic and market conditions. These estimates and assumptions have to be made for each reporting unit evaluated for impairment. Our estimates for market growth, our market share and costs are based on historical data, various internal estimates and certain external sources, and are based on assumptions that are consistent with the plans and estimates we are using to manage the underlying business. If future forecasts are revised, they may indicate or require future impairment charges. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements and their impact on the Company can be found in Note 2, "Summary of Significant Accounting Policies," in the "Notes to the Consolidated Financial Statements" included in this Annual Report on Form 10‑K for a summary of our significant accounting estimates.

Off-Balance Sheet Arrangements

In the normal course of business, we engage in off-balance sheet arrangements, including transactions in derivatives, guarantees, commitments, indemnifications and potential contingent repayment obligations.

Contractual Obligations, Commitments and Contingencies

The following table sets forth information relating to our contractual obligations of the Company as of the Consolidated Funds as of December 31, 2016 :

Ares Obligations	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter	Total
	(Dollars in thousands)				
The Company:					
Operating lease obligations(1)	$ 23,940	$ 50,966	$ 38,351	$ 69,564	$ 182,821
Debt obligations payable(2)	—	—	—	305,784	305,784
Interest obligations on debt(3)	12,673	24,029	24,029	42,772	103,503
Capital commitments(4)	535,254	—	—	—	535,254
Subtotal	**571,867**	**74,995**	**62,380**	**418,120**	**1,127,362**
Consolidated Funds:					
Debt obligations payable	—	42,128	—	3,060,100	3,102,228
Interest obligations on debt(3)	69,458	138,757	138,895	309,571	656,681
Capital commitments of the CLOs and Consolidated Funds(5)	221,711	9,806	1,656	—	233,173
Total	**$ 863,036**	**$ 265,686**	**$ 202,931**	**$ 3,787,791**	**$ 5,119,444**

(1) The table includes future minimum commitments for our operating leases. Office space is leased under agreements with expirations ranging from month-to-month contracts to lease commitments through 2027. Rent expense includes only base contractual rent.
(2) Debt obligations include $250.0 million senior notes, which have a stated maturity of October 8, 2024, a $35.3 million term loan with a maturity of July 29, 2026, and a $26.4 million term loan with a maturity of January 1, 2029.
(3) Interest obligations include interest accrued on outstanding indebtedness.
(4) Represent commitments to invest in certain investment products, primarily in funds managed by us. These amounts are generally due on demand and are therefore presented as obligations payable in the less than one year.
(5) Represents commitments by the CLOs and Consolidated Funds to fund certain investments. These amounts are generally due on demand and are therefore presented as obligations payable in the less than one year.

In connection with the initial public offering, we entered into a TRA with the TRA Recipients that requires us to pay them 85% of any tax savings realized by Ares Management, L.P.'s wholly owned subsidiaries that are taxable as corporations for U.S. federal income tax purposes from any step-up in tax basis resulting from an exchange of Ares Operating Group Units for Ares Management, L.P. common units or, at our option, for cash. Because the timing of amounts to be paid under the tax receivable agreement cannot be determined, this contractual commitment has not been presented in the table above. The tax savings achieved may not ensure that we have sufficient cash available to pay this liability, and we may be required to incur additional debt to satisfy this liability.

Indemnifications

Consistent with standard business practices in the normal course of business, we enter into contracts that contain indemnities for our affiliates, persons acting on our behalf or such affiliates and third parties. The terms of the indemnities vary from contract to contract and the maximum exposure under these arrangements, if any, cannot be determined and has not been recorded in our consolidated financial statements. As of December 31, 2016, we have not had prior claims or losses pursuant to these contracts and expect the risk of loss to be remote.

Capital Commitments

As of December 31, 2016 and December 31, 2015, we had aggregate unfunded commitments of $535.3 million and $436.4 million, respectively, including commitments to both non-consolidated funds and Consolidated Funds.

As December 31, 2016, we had $34.5 million in unfunded commitments to invest in certain funds managed by Kayne Anderson Capital Advisors, L.P.

ARCC and American Capital, Ltd. Merger Agreement

On January 3, 2017, ARCC completed the ARCC-ACAS Transaction. To support the ARCC-ACAS Transaction, we, through our subsidiary Ares Capital Management LLC, which serves as the investment adviser to ARCC, provided approximately $275 million of cash consideration, or $1.20 per share of ACAS common stock, to ACAS shareholders in accordance with the terms and conditions set forth in the merger agreement at the closing of the ARCC-ACAS Transaction. In addition, we agreed to waive up to $10 million per quarter of ARCC's Part I fees for ten calendar quarters, beginning in the second quarter of 2017.

Contingent Obligations

Generally, if at the termination of a fund (and increasingly at interim points in the life of a fund), the fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, the Company will be obligated to repay carried interest that was received by the Company in excess of the amounts to which the Company is entitled. This contingent obligation is normally reduced by income taxes paid by the Company related to its carried interest.

The partnership documents governing our funds generally include a contingent repayment provision that, if triggered, may give rise to a contingent obligation that may require the general partner to return amounts to the fund for distribution to investors. Therefore, performance fees, generally, are subject to reversal in the event that the funds incur future losses. These losses are limited to the extent of the cumulative performance fees recognized in income to date. Due in part to our investment performance and the fact that our performance fees are generally determined on a liquidation basis, as of December 31, 2016 and December 31, 2015, if the funds were liquidated at their fair values, there would have been no contingent repayment obligation or liability. There can be no assurance that we will not incur a contingent repayment obligation in the future. If all of the existing investments were deemed worthless, the amount of cumulative revenues that has been recognized would be reversed. We believe that the possibility of all of the existing investments becoming worthless is remote. At December 31, 2016, 2015 and 2014, had we assumed all existing investments were worthless, the amount of carried interest, net of tax, subject to contingent repayment would have been approximately $418.3 million , $322.2 million and $295.7 million, respectively, of which approximately $323.9 million , $247.9 million and $239.3 million, respectively, would be reimbursable to the Company by certain professionals.

Performance fees are also affected by changes in the fair values of the underlying investments in the funds that we advise. Valuations, on an unrealized basis, can be significantly affected by a variety of external factors including, but not limited to, bond yields and industry trading multiples.

Our senior professionals and other professionals who have received carried interest distributions are responsible for funding their proportionate share of any contingent repayment obligations. However, the governing agreements of certain of our funds provide that if a current or former professional from such funds does not fund his or her respective share, then we may have to fund additional amounts beyond what we received in carried interest, although we will generally retain the right to pursue any remedies that we have under such governing agreements against those carried interest recipients who fail to fund their obligations.

Additionally, at the end of the life of the funds there could be a payment due to a fund by us if we have recognized more performance fees than was ultimately earned. The general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of the fund.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our primary exposure to market risk is related to our role as general partner or investment adviser to our investment funds and the sensitivity to movements in the fair value of their investments, including the effect on management fees, performance fees and investment income.

The market price of investments may significantly fluctuate during the period of investment. Investments may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of an investment may decline due to general market conditions which are not specifically related to such investment, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.

Our credit orientation has been a central tenet of our business across our debt and equity investment strategies. Our investment professionals benefit from our independent research and relationship networks in over 50 industries, and insights from our portfolio of active investments. We believe the combination of high-quality proprietary information flow and a consistent, rigorous approach to managing investments across our strategies has been, and we believe will continue to be, a major driver of our strong risk-adjusted returns and the stability and predictability of our income.

Effect on Management Fees

Management fees are generally based on a defined percentage of fair value of assets, total commitments, invested capital, net asset value, net investment income, total assets or par value of the investment portfolios we manage. Management fees calculated based on fair value of assets or net investment income are affected by short-term changes in market values.

The overall impact of a short-term change in market value may be mitigated by a number of factors including, but not limited to, fee definitions that are not based on market value including invested capital and committed capital, market value definitions that exclude the impact of realized and/or unrealized gains and losses, market value definitions based on beginning of the period values or a form of average market value including daily, monthly or quarterly averages as well monthly or quarterly payment terms.

As such, an incremental 10% change in fair value of the funds' investments as of December 31, 2016, would not have a material impact on management fees.

Effect on Performance Fees

Performance fees are based on certain specific hurdle rates as defined in the funds' applicable investment management or partnership agreements. The performance fees for any period are based upon an assumed liquidation of the fund's net assets on the reporting date, and distribution of the net proceeds in accordance with the fund's income allocation provisions which can result in a performance-based fee to us, subject to certain hurdles and benchmarks. The performance fees may be subject to reversal to the extent that the performance fees recorded exceed the amount due to the general partner or investment manager based on a fund's cumulative investment returns. See "—Components of Consolidated Results of Operations."

Changes in the fair values of funds' investments may materially impact performance fees depending on the respective funds' performance relative to applicable hurdles or benchmarks. The following table summarizes the incremental impact, including to our Consolidated Funds, of an incremental 10% change in fair value of the funds' investments by segment as of December 31, 2016 on our performance fees revenue:

	As of December 31, 2016	
	10% Increase in Fair Value	**10% Decrease in Fair Value**
	(Dollars in millions)	
Segment		
Credit Group	$ 128	$ (98)
Private Equity Group	159	(201)
Real Estate Group	42	(31)
Total	**$ 329**	**$ (330)**

Effect on Investment Income

An investment gain (loss) is realized when we redeem all or a portion of our investment or when we receive cash income, such as dividends or distributions. Unrealized investment gain (loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized appreciation (depreciation) at the time an investment is realized.

Changes in the fair values of our funds' investments directly impact investment income. The following table summarizes the incremental impact, including to our Consolidated Funds, of an incremental 10% change in fair value of the funds' investments by segment as of December 31, 2016 on our investment income:

	As of December 31, 2016	
	10% Increase in Fair Value	10% Decrease in Fair Value
	(Dollars in millions)	
Segment		
Credit Group	$ 24	$ (24)
Private Equity Group	26	(26)
Real Estate Group	8	(8)
Total	**$ 58**	**$ (58)**

Exchange Rate Risk

Our funds hold investments that are denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. Movements in the exchange rate between the U.S. dollar and non-U.S. dollar currencies impact the management fees earned by funds with fee paying AUM denominated in non-U.S. dollar currencies as well as by funds with fee paying AUM denominated in U.S. dollars that hold investments denominated in non-U.S. dollar currencies. Additionally, movements in the exchange rate impact operating expenses for our foreign offices that are denominated in non-U.S. currencies, cash balances we hold in non-U.S. currencies and investments denominated in non-U.S. currencies.

We manage our exposure to exchange rate risks through our regular operating activities, wherein we utilize payments received in non-U.S. dollar currencies to fulfill obligations in non-U.S dollar foreign currencies, and, when appropriate, through the use of derivative financial instruments to hedge the net non-U.S. exposure: in the funds that we advise; the balance sheet exposure for certain direct investments denominated in non-U.S. dollar currencies; and the cash flow exposure for non-U.S. dollar currencies.

A portion of our management fees are denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. We estimate that as of December 31, 2016 and 2015 a 10% decrease in the rate of exchange of all foreign currencies against the U.S. dollar would result in a decrease in management fees of approximately $5.7 million and $7.5 million, respectively.

We enter into currency forward contracts and other exchange traded currency options to mitigate the impact of the exchange rate risk on our management fees and investment portfolio due to the fluctuation of exchange of all foreign currencies against the U.S. dollar. All other foreign exchange rate exposure is determined to be immaterial.

Interest Rate Risk

As of December 31, 2016, we had no outstanding balance under the Credit Facility.

Our Credit Facility provides a $1.03 billion revolving line of credit with the ability to upsize to $1.28 billion (subject to obtaining commitments for any such additional borrowing capacity) with a maturity date of April 30, 2019. The Credit Facility bears interest at a variable rate based on either LIBOR or a base rate plus an applicable margin with an unused commitment fee paid quarterly, which is subject to change with our underlying credit agency rating. Currently, base rate loans bear interest calculated based on the base rate plus 0.75% and the LIBOR rate loans bear interest calculated based on LIBOR rate plus 1.75%. Our unused commitment fee is 0.25% per annum. As of December 31, 2016, we had no outstanding balance under the Credit Facility.

We estimate that in the event of a 100 basis point increase in interest rates, to the extent there is an outstanding revolver balance, we would be subject to the variable rate and would expect our interest expense to increase commensurately.

As credit-oriented investors, we are also subject to interest rate risk through the securities we hold in our Consolidated Funds. A 100 basis point increase in interest rates would be expected to negatively affect the fair value of securities that accrue interest income at fixed rates and therefore negatively impact net change in unrealized appreciation on investments of the Company and the Consolidated Funds. The actual impact is dependent on the average duration and amounts of such holdings and the amount of such holdings. Conversely, securities that accrue interest at variable rates would be expected to benefit from a 100 basis points increase in interest rates because these securities would generate higher levels of current income and therefore positively impact interest and dividend income. In the cases where our funds pay management fees based on NAV, we would expect our segment management fees to experience a change in direction and magnitude corresponding to that experienced by the underlying portfolios.

Credit Risk

We are party to agreements providing for various financial services and transactions that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. In such agreements, we depend on the respective counterparty to make payment or otherwise perform. We generally endeavor to minimize our risk of exposure by limiting to reputable financial institutions the counterparties with which we enter into financial transactions. In other circumstances, availability of financing from financial institutions may be uncertain due to market events, and we may not be able to access these financing markets.

Item 8. Financial Statements and Supplementary Data

The information required by this item is incorporated by reference to the consolidated financial statements and accompanying notes set forth in the F pages of this Annual Report on Form 10-K.

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

Item 9A. Controls And Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our co-principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2016. Based upon that evaluation and subject to the foregoing, our principal executive officers and principal financial officer concluded that, as of December 31, 2016, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2016 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Report of Management on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our consolidated financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our consolidated financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our consolidated financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016. The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on the effectiveness of the Company's internal control over financial reporting. Their report follows.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Unitholders of Ares Management, L.P.

We have audited Ares Management, L.P.'s (successor to Ares Holdings Inc. and Ares Investments LLC, which directly or indirectly hold controlling interests in Ares Management LLC and Ares Investments Holdings LLC, as well as their wholly owned subsidiaries) (collectively, the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of the Company as of December 31, 2016 and 2015, and the related statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2016 of Ares Management, L.P. and our report dated February 27, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
February 27, 2017

Item 9B. Other Information

None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The directors and executive officers of our general partner as of the date of this filing are:

Name	Age	Position
Michael J Arougheti	44	Director, Co-Founder & President
David B. Kaplan	49	Director, Co-Founder & Partner
John H. Kissick	75	Director & Co-Founder
Antony P. Ressler	56	Chairman, Co-Founder & Chief Executive Officer
Bennett Rosenthal	53	Director, Co-Founder & Partner
R. Kipp de Veer	44	Partner
Paul G. Joubert	69	Director
Michael Lynton	57	Director
Dr. Judy D. Olian	65	Director
Michael R. McFerran	45	Executive Vice President, Chief Financial Officer & Treasurer
Michael D. Weiner	64	Executive Vice President, Chief Legal Officer & Secretary

Biographical Information

The following is a summary of certain biographical information concerning the directors, director nominees and officers of our general partner:

Michael J Arougheti. Mr. Arougheti is a Co-Founder of Ares and a Director and the President of Ares Management GP LLC, Ares' general partner. He is a Partner in the Ares Credit Group and a member of the Management Committee. He also serves as Co-Chairman of ARCC and as a director of ACRE. Mr. Arougheti also is a member of the Ares Credit Group's Direct Lending Investment Committees and the Ares Operations Management Group. Prior to joining Ares in 2004, Mr. Arougheti was employed by Royal Bank of Canada from 2001 to 2004, where he was a Managing Partner of the Principal Finance Group of RBC Capital Partners and a member of the firm's Mezzanine Investment Committee. Mr. Arougheti oversaw an investment team that originated, managed and monitored a diverse portfolio of middle-market leveraged loans, senior and junior subordinated debt, preferred equity and common stock and warrants on behalf of RBC and other third-party institutional investors. Mr. Arougheti joined Royal Bank of Canada in October 2001 from Indosuez Capital, where he was a Principal and an Investment Committee member, responsible for originating, structuring and executing leveraged transactions across a broad range of products and asset classes. Prior to joining Indosuez in 1994, Mr. Arougheti worked at Kidder, Peabody & Co., where he was a member of the firm's Mergers and Acquisitions Group. Mr. Arougheti also serves on the boards of directors of Riverspace Arts, a not-for-profit arts organization and Operation HOPE, a not-for-profit organization focused on expanding economic opportunity in underserved communities through economic education and empowerment. Mr. Arougheti received a B.A. in Ethics, Politics and Economics, cum laude, from Yale University.

Mr. Arougheti's knowledge of and extensive experience in investment management, leveraged finance and financial services gives the board of directors valuable industry-specific knowledge and expertise on these and other matters and, in addition to his service as a director of other public companies, position him well to service on the board of directors.

David B. Kaplan. Mr. Kaplan is a Co-Founder of Ares and a Director and Partner of Ares Management GP LLC, Ares' general partner. He is a Partner and Co-Head of the Ares Private Equity Group and a member of the Management Committee. He additionally serves on several of the investment committees for certain funds managed by the Private Equity Group. Mr. Kaplan joined Ares in 2003 from Shelter Capital Partners, LLC, where he was a Senior Principal from June 2000 to April 2003. From 1991 through 2000, Mr. Kaplan was a Senior Partner of, Apollo Management, L.P. and its affiliates, during which time he completed multiple private equity investments from origination through exit. Prior to Apollo Management, L.P., Mr. Kaplan was a member of the Investment Banking Department at Donaldson, Lufkin & Jenrette Securities Corp. Mr. Kaplan currently serves as Chairman of the Boards of Directors of the parent entities of Neiman Marcus Group, Inc. and Smart & Final, Inc. and as a member of the Boards of Directors of 99 Cents Only Stores LLC, ATD Corporation, Guitar Center Holdings, Inc. and the parent entity of Floor and Decor Outlets of America, Inc. Mr. Kaplan's previous public company Board of Directors experience includes Maidenform Brands, Inc. where he served as the company's Chairman, GNC Holdings, Inc., Dominick's Supermarkets, Inc., Stream Global Services, Inc., Orchard Supply Hardware Stores Corporation and Allied Waste Industries Inc. Mr. Kaplan also serves on the Board of Directors of Cedars-Sinai Medical Center, is a Trustee of the Center for Early Education and serves on the President's Advisory

Group of the University of Michigan. Mr. Kaplan graduated with High Distinction, Beta Gamma Sigma, from the University of Michigan, School of Business Administration with a B.B.A. concentrating in Finance.

Mr. Kaplan's knowledge of and extensive experience with leveraged finance, acquisitions and private equity investments, in addition to his service as a director of other public and private companies, position him well to service on the board of directors.

John H. Kissick. Mr. Kissick is a Co-Founder of Ares and a Director of Ares Management GP LLC, Ares' general partner. Until February 13, 2017, Mr. Kissick was a Partner of Ares in the Corporate Strategy and Relationship Management Group and served on Ares' Management Committee and several investment committees across the firm. Prior to joining Ares in 1997, Mr. Kissick co-founded Apollo Management, L.P. in 1990. Mr. Kissick oversaw and led the capital markets activities of Apollo Management, L.P. from 1990 until 1997, particularly focusing on high yield bonds, leveraged loans, distressed debt and other fixed income assets. Prior to 1990, Mr. Kissick served as a Senior Executive Vice President of Drexel Burnham Lambert Inc., where he began in 1975, eventually heading its Corporate Finance Department. Mr. Kissick also serves on the Board of Directors of City Ventures LLC and on the boards of the Cedars-Sinai Medical Center in Los Angeles, the Stanford University Athletic Department and its Graduate School of Education, and L.A.'s Promise which helps economically disadvantaged children graduate from high school through a variety of mentoring and other programs. Mr. Kissick graduated from Yale University with a B.A. in Economics and with highest honors from the Stanford Business School with a M.B.A. in Finance.

Mr. Kissick's experience in leadership positions, corporate governance and finance, in addition to his extensive service as a director of other companies, makes him well qualified to serve as a director on the board of directors.

Antony P. Ressler. Mr. Ressler is a Co-Founder of Ares and the Chairman and Chief Executive Officer of Ares Management GP LLC, Ares' general partner. He is a Partner in the Ares Private Equity Group and serves as Chairman of the Management Committee. Mr. Ressler also serves as a member of the Investment Committees of certain funds managed by the Ares Private Equity Group and certain funds managed by the Ares Real Estate Group. Mr. Ressler has been with Ares Management since its founding in 1997. Mr. Ressler previously served on the Boards of Directors of Ares Capital Corporation and Air Lease Corporation. Since June 2015, Mr. Ressler has served as the Principal Owner and Chair of the Atlanta Hawks Basketball Club. In the not for profit sector, Mr. Ressler is a member of the Board of Directors of Cedars-Sinai Medical Center, is Co-Chair of the Los Angeles County Museum of Art (LACMA) Board of Trustees and a member of the Board of Trustees of Georgetown University. Mr. Ressler is also one of the founding Board members and Finance Co-Chair of the Painted Turtle Camp, a southern California based organization (affiliated with Paul Newman's Hole in the Wall Association), which was created to serve children dealing with chronic and life threatening illnesses by creating memorable, old-fashioned camping experiences. Mr. Ressler received his B.S.F.S. from Georgetown University's School of Foreign Service and received his M.B.A. from Columbia University's Graduate School of Business.

Mr. Ressler's intimate knowledge of the business and operations of Ares Management, L.P., his extensive experience in the financial industry and as a partner in investments firms and his service as a director of other public companies provides industry-specific knowledge and expertise to the board of directors.

Bennett Rosenthal. Mr. Rosenthal is a Co-Founder of Ares and a Director and Partner of Ares Management GP LLC, Ares' general partner. He is a Partner and Co-Head of the Ares Private Equity Group and a member of the Management Committee. Mr. Rosenthal additionally serves as the Co-Chairman of the Board of Directors of ARCC. Mr. Rosenthal also is a member of the Investment Committees of certain funds managed by the Ares Private Equity Group. Mr. Rosenthal joined Ares in 1998 from Merrill Lynch & Co. where he served as a Managing Director in the Global Leveraged Finance Group. He currently serves on the Boards of Directors of City Ventures, LLC, Jacuzzi Brands Corporation, and the parent entities of National Veterinary Associates, Inc., CHG Healthcare Holdings L.P., CPG International Inc., Serta International Holdco LLC and Simmons Bedding Company, and other private companies. Mr. Rosenthal's previous board of directors experience includes Aspen Dental Management, Inc., Hanger, Inc. and Maidenform Brands, Inc. Mr. Rosenthal also serves on the Board of Trustees of the Windward School in Los Angeles, and on the Graduate Executive Board of the Wharton School of Business. Mr. Rosenthal graduated summa cum laude with a B.S. in Economics from the University of Pennsylvania's Wharton School of Business where he also received his M.B.A. with distinction.

Mr. Rosenthal's knowledge of and extensive experience with leveraged finance, acquisitions and direct lending and equity investments, in addition to his service as a director of other public and private companies, position him well to service on the board of directors.

R. Kipp deVeer. Mr. deVeer is a Partner of Ares Management GP LLC, Ares' general partner, a member of the firm's Management Committee and the Head of the Ares Credit Group. He additionally serves as a Director and Chief Executive Officer of ARCC and is a member of certain Ares Credit Group investment committees. Prior to joining Ares in 2004, Mr. deVeer was a partner at RBC Capital Partners, a division of Royal Bank of Canada, which led the firm's middle market financing and principal investment business. Mr. deVeer joined RBC in October 2001 from Indosuez Capital, where he was Vice President in the Merchant Banking Group. Mr. deVeer has also worked at J.P. Morgan and Co., both in the Special Investment Group of J.P. Morgan Investment Management, Inc. and the Investment Banking Division of J.P. Morgan Securities Inc. Mr. deVeer received a B.A. from Yale University and an M.B.A. from Stanford University's Graduate School of Business.

Paul G. Joubert. Mr. Joubert is a Director of Ares Management GP LLC, Ares' general partner. He is the Founding Partner of EdgeAdvisors, a privately held management consulting organization founded in July 2008 and has been a Venture Partner in Converge Venture Partners since March 2014. From 1971 until July 2008, Mr. Joubert held various positions at PricewaterhouseCoopers LLP, or PWC, an international consulting and accounting firm. During his tenure at PWC, Mr. Joubert served as a Partner in the firm's Assurance practice and led its Technology, InfoCom and Entertainment practice for the Northeast region of the United States. Prior to that, he served as Partner-in-Charge of PWC's Northeast Middle Market Group and Chief of Staff to the Vice-Chairman of PWC's domestic operations. From May 2009 to September 2010, Mr. Joubert served on the Board of Directors of Phaseforward, a publicly traded company that was acquired by Oracle in the fall of 2010. Mr. Joubert also served on the Board of Directors and as the Audit Committee Chairman of Stream Global Services Inc. from July 2008 until March 2014, when it was acquired by Convergys Corporation. He served on the Board of Directors and as the Audit Committee Chairman for ACRE from April 2012 until June 2014. He has also been involved with a number of professional organizations and other institutions, including the Boston Museum of Science, the National Association of Corporate Directors, the Massachusetts Innovation and Technology Exchange, as a director, and the Northeastern University Entrepreneurship Program. Mr. Joubert received a B.A. from Northeastern University.

Mr. Joubert's long and varied business career and valuable knowledge, insight and experience in financial and accounting matters positions him well for service on the board of directors.

Michael Lynton. Mr. Lynton is a Director of Ares Management GP LLC, Ares' general partner. He served as the Chief Executive Officer of Sony Entertainment from April 2012 until February 2017, overseeing Sony's global entertainment businesses, including Sony Music Entertainment, Sony/ATV Music Publishing and Sony Pictures Entertainment. Lynton also served as Chairman and CEO of Sony Pictures Entertainment since January 2004 and managed the studio's overall global operations, which include motion picture, television and digital content production and distribution, home entertainment acquisition and distribution, operation of studio facilities, and the development of new entertainment products, services and technologies. Prior to joining Sony Pictures, Lynton worked for Time Warner and served as CEO of AOL Europe, President of AOL International and President of Time Warner International. From 1996 to 2000, Mr. Lynton served as Chairman and CEO of Pearson plc's Penguin Group. Mr. Lynton joined The Walt Disney Company in 1987 and started Disney Publishing. From 1992 to 1996, he served as President of Disney's Hollywood Pictures. Mr. Lynton currently serves on the Board of Snapchat Inc. Mr. Lynton is also a member on the Council on Foreign Relations and the Harvard Board of Overseers and serves on the boards of the Los Angeles County Museum of Art, the USC School of Cinematic Arts and the Rand Corporation. Mr. Lynton holds a B.A. in History and Literature from Harvard College where he also received his M.B.A.

Mr. Lynton's knowledge and extensive business experience, on a global scale, make him well qualified to serve as a director on the board of directors.

Dr. Judy D. Olian. Dr. Olian is a Director of Ares Management GP LLC, Ares' general partner. She is the dean of UCLA Anderson School of Management and the John E. Anderson Chair in Management. Her business expertise centers on aligning organizations' design with market opportunities, developing strategically coherent human resource systems and incentives, and managing top management teams. She began her appointment in 2006 after serving as dean and professor of management at the Smeal College of Business Administration at the Pennsylvania State University. Earlier, she served in various faculty and executive roles at the University of Maryland and its Robert H. Smith School of Business. Dr. Olian serves on various advisory boards including Beijing University's Guanghua School of Business, the U.S. Studies Centre at the University of Sydney, Catalyst, a global think tank for women in business, and Westwood Technology Transfer and is Chairman of the Loeb Awards for Business Journalism. Dr. Olian also serves on the Board of Directors of United Therapeutics Corporation. Dr. Olian received her B.S. in Psychology from the Hebrew University, Jerusalem and her M.S. and Ph.D. in Industrial Relations from the University of Wisconsin, Madison.

Dr. Olian's knowledge and business expertise in management, in addition to her service on various advisory boards, position her well to service on the board of directors.

Michael R. McFerran. Mr. McFerran is Executive Vice President and Chief Financial Officer of Ares Management GP LLC, Ares' general partner, and a member of the Management Committee of Ares Management. He serves as Vice President of Ares Dynamic Credit Allocation Fund, Inc., a NYSE-listed closed end fund managed by an affiliate of Ares. He additionally serves as a member of the Ares Operations Management Group and the Ares Enterprise Risk Committee. Prior to joining Ares in March 2015, Mr. McFerran was a Managing Director at KKR where he was Chief Financial Officer of KKR's credit business and Chief Operating Officer and Chief Financial Officer at KKR Financial Holdings LLC. Prior to joining KKR, Mr. McFerran spent the majority of his career at Ernst & Young LLP where he was a senior manager in their financial services industry practice. Mr. McFerran also held Vice President roles at XL Capital Ltd. and American Express. Mr. McFerran holds an M.B.A. from the Haas School of Business at U.C. Berkeley and a B.S. in Business Administration from San Francisco State University.

Michael D. Weiner. Mr. Weiner is Executive Vice President and Chief Legal Officer of Ares Management GP LLC, Ares' general partner, a Partner and General Counsel in the Ares Legal Group and a member of the firm's Management Committee. Mr. Weiner has been an officer of Ares Capital Corporation since 2006, including General Counsel from September 2006 to January 2010, and also serves as Vice President of Ares Commercial Real Estate Corporation and Vice President and Assistant Secretary of Ares Dynamic Credit Allocation Fund, Inc., a NYSE-listed, closed end fund managed by an affiliate of Ares Management. He additionally serves as a member of the Ares Operations Management Group and the Ares Enterprise Risk Committee. Mr. Weiner joined Ares in September 2006. Previously, Mr. Weiner served as General Counsel to Apollo Management L.P. and had been an officer of the corporate general partners of Apollo since 1992. Prior to joining Apollo, Mr. Weiner was a partner in the law firm of Morgan, Lewis & Bockius specializing in corporate and alternative financing transactions and securities law, as well as general partnership, corporate and regulatory matters. Mr. Weiner has served on the boards of directors of several public and private corporations. Mr. Weiner also serves on the Board of Governors of Cedars Sinai Medical Center in Los Angeles. Mr. Weiner graduated with a B.S. in Business and Finance from the University of California at Berkeley and a J.D. from the University of Santa Clara.

There are no family relationships among any of the directors or executive officers of our general partner.

Composition of the Board of Directors

The limited liability company agreement of our general partner establishes a board of directors that is responsible for the oversight of our business and operations. In general, our common unitholders have no right to elect the directors of our general partner. However, when the Holdco Members and other then-current or former Ares personnel directly or indirectly hold less than 10% of the limited partner voting power, our common unitholders will have the right to vote in the election of the directors of our general partner. This Ares control condition is measured on January 31 of each year, and will be triggered if the total voting power held collectively by (i) holders of the special voting units in Ares Management, L.P. (including our general partner, members of Ares Partners Holdco LLC and their respective affiliates), (ii) then-current or former Ares personnel (including indirectly through related entities) and (iii) Ares Owners Holdings L.P.is less than 10% of the voting power of the outstanding voting units of Ares Management, L.P. For purposes of determining whether the Ares control condition is satisfied, our general partner will treat as outstanding, and as held by the foregoing persons, all voting units deliverable to such persons pursuant to equity awards granted to such persons. So long as the Ares control condition is satisfied, our general partner's board of directors is elected in accordance with its limited liability company agreement, which provides that directors generally may be appointed and removed by the sole member of our general partner, an entity owned and controlled by the Holdco Members. In addition, so long as the Ares control condition is satisfied, the sole member of our general partner manages all of our operations and activities, and the board of directors of our general partner has no authority other than that which its member chooses to delegate to it. If the Ares control condition is no longer satisfied, the board of directors of our general partner will be responsible for the oversight of our business and operations.

Management Approach; Limited Partnership Structure

Throughout our history as a privately owned firm, we had a management structure involving strong central management led by our Co-Founders. Our operating businesses are overseen by our Management Committee, which is comprised of our executive officers and other heads of various investment groups and ultimately by Holdco. Our general partner has determined that maintaining our existing management structure as closely as possible is desirable and intends that these practices will continue. We believe that this management structure has been a significant reason for our growth and performance.

Moreover, as a privately owned firm, we were historically managed with a perspective of achieving successful growth over the long-term. Both in entering and building our various businesses over the years and in determining the types of investments to be made by our funds, our management has consistently sought to focus on the best way to grow our businesses and investments over a period of many years and has paid little regard to their short-term impact on revenue, net income or cash flow.

We believe our management approach has been a significant strength and as a public company, we have preserved our management structure with strong central management to maintain our focus on achieving successful growth over the long-term. This desire to preserve our current management structure is one of the principal reasons why, upon listing our common units on the NYSE, we decided to organize Ares Management, L.P. as a limited partnership that is managed by our general partner and to avail ourselves of the limited partnership exception from certain of the NYSE's corporate governance and other rules. This exception eliminates the requirements that we have a majority of independent directors on the board of directors of our general partner and that our general partner have a compensation committee and a nominating and corporate governance committee composed entirely of independent directors. In addition, we are not required to hold annual meetings of our common unitholders.

Limited Powers of Our Board of Directors

As described above, so long as the Ares control condition is satisfied, the member of our general partner, an entity owned and controlled by the Holdco Members, manages all of our operations and activities, and the board of directors of our general partner has no authority other than that which the member of our general partner chooses to delegate to it. The member of our general partner has delegated to the board of directors of our general partner the authority to establish and oversee the audit committee and any other committee that such board deems necessary, advisable or appropriate. The board of directors of our general partner has established an audit committee, a conflicts committee and an equity incentive committee of the board of directors of our general partner. The audit committee performs the functions described below under "—Committees of the Board of Directors—Audit Committee", the conflicts committee performs the functions described below under "—Committees of the Board of Directors—Conflicts Committee," and the equity incentive committee performs the functions described below under "—Committees of the Board of Directors—Equity Incentive Committee." In the event that the Ares control condition is not satisfied, the board of directors of our general partner and any committees thereof will manage all of our operations and activities.

Where action is required or permitted to be taken by the board of directors of our general partner or a committee thereof, a majority of the directors or committee members present at any meeting of the board of directors of our general partner or any committee thereof at which there is a quorum shall be the act of the board or such committee, as the case may be. The board of directors of our general partner or any committee thereof may also act by unanimous written consent.

Committees of the Board of Directors

The board of directors of our general partner has adopted a charter for the audit committee that complies with current federal and NYSE rules relating to corporate governance matters. The board of directors of our general partner has also established a conflicts committee and an equity incentive committee. The member of our general partner has delegated the authority of the board of directors of our general partner the authority to establish other committees from time to time as it deems necessary, advisable or appropriate.

Audit Committee

The current members of the audit committee of our general partner are Messrs. Joubert and Lynton and Dr. Olian. Mr. Joubert serves as the chairperson of the audit committee. The purpose of the audit committee is to assist the board of directors of our general partner in its oversight of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the qualifications and independence of our independent registered public accounting firm and (iv) the performance of our internal audit function and our independent registered public accounting firm. In addition, the audit committee may review and approve any related person transactions, as described under "Item 13. Certain Relationships and Related Transactions, and Director Independence—Statement of Policy Regarding Transactions with Related Persons." Each of the members of the audit committee meets the independence standards for service on an audit committee of a board of directors pursuant to federal securities regulations and NYSE rules relating to corporate governance matters. The board of directors has determined that Mr. Joubert is an audit committee financial expert, as that term is defined in the federal securities regulations. The audit committee has a charter which is available on our internet website at http://www.ares-ir.com.

Conflicts Committee

The conflicts committee of our general partner consists of Messrs. Joubert and Lynton and Dr. Olian. The purpose of the conflicts committee is to review and consider the resolution or course of action in respect of any conflicts of interest or potential conflicts of interest brought before it for determination or approval. The conflicts committee determines whether the resolution of any conflict of interest submitted to it is fair and reasonable to us. Any matters approved by the conflicts committee are conclusively deemed approved by us and our common unitholders and not a breach of our partnership agreement (or any agreement referred to therein) or of any duties that our general partner or its affiliates or associates may owe to us or our common unitholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved by the audit committee, as described under "Item 13. Certain Relationships and Related Transactions, and Director Independence—Statement of Policy Regarding Transactions with Related Persons," and may establish guidelines or rules to cover specific categories of transactions.

Equity Incentive Committee

The equity incentive committee of our general partner consists of Messrs. Arougheti, Kaplan, Ressler and Rosenthal. The purpose of the equity incentive committee is to (i) assist the board of directors of our general partner in discharging its responsibilities relating to granting equity incentive awards to service providers of the company other than directors and executive officers subject to Section 16 of the Exchange Act, (ii) administer the Ares Management, L.P. 2014 Equity Incentive Plan (the "2014 Equity Incentive Plan") as the equity incentive committee other than with respect to directors and executive officers of the company subject to Section 16 of the Exchange Act and (iii) recommend to the board of directors of our general partner such other matters as the equity incentive committee deems appropriate.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics, which applies to, among others, our principal executive officer, principal financial officer and principal accounting officer. This code is available on our internet website at http://www.ares-ir.com. We intend to disclose any amendment to or waiver of the Code of Business Conduct and Ethics on behalf of an executive officer or director either on our Internet website or in a Form 8-K filing.

Corporate Governance Guidelines

We have Corporate Governance Guidelines that address significant issues of corporate governance and set forth procedures by which our general partner and board of directors carry out their respective responsibilities. Our Corporate Governance Guidelines do not prohibit directors from serving simultaneously on multiple companies' boards but our Audit Committee charter requires that our Board must determine that the simultaneous service of an Audit Committee member on the audit committees of more than three public companies would not impair such member's ability to effectively serve on our Audit Committee. The Corporate Governance Guidelines are available on our internet website at http://www.ares-ir.com.

Communications to the Board of Directors

The independent directors of our general partner's board of directors meet regularly. At each meeting of the independent directors, the independent directors choose a director to lead the meeting. All interested parties, including any employee or unitholder, may send communications to the independent directors of our general partner's board of directors by writing to: the General Counsel, Ares Management, L.P., 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the executive officers and directors of our general partner, and persons who own more than ten percent of a registered class of our voting equity securities to file initial reports of ownership and reports of changes in ownership with the SEC and to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports furnished to us or written representations from such persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, with respect to the fiscal year ended December 31, 2016, such persons complied with all such filing requirements.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy

Our business as a global alternative asset manager is dependent on the exceptional performance of our named executive officers ("NEOs") and other key employees. Among other things, we depend on their ability to find, select and execute investments, oversee and improve the operations of our portfolio companies, find and develop relationships with fund investors and other sources of capital and provide other services essential to our success. Our compensation program is designed to attract, motivate and retain talented professionals who drive our success.

Our compensation philosophy has several primary objectives: (1) establish a clear relationship between performance and compensation, (2) align the interests of our NEOs and other key employees with our fund investors and unitholders to maximize value and (3) provide competitive incentive compensation opportunities, with an appropriate balance between short-term and long-term incentives.

Base salaries are dictated by employee proficiency and experience in their roles. In addition to base salary, we utilize a blend of variable and long-term pay vehicles to further incentivize and retain talent and provide an overall compensation package that is competitive with the market.

Performance-based discretionary bonuses are generally paid annually to employees based on our profitability, market analysis and employee performance. Select senior professionals may also receive carried interest or incentive fee participation in our funds. These awards will be distributed based on the rules of each individual fund, which generally provide for distributions either around the time of the fund's inception or annually. Certain senior professionals are awarded carried interest or incentive fees in funds outside of their business lines to provide incentives for coordination and collaboration across the firm. In addition, our senior professionals are often offered the opportunity to invest their own capital in our private commingled funds (generally on a no fee, no carry basis).

We believe that carried interest and incentive fee participation as well as investment in our funds aligns the interests of our NEOs and other key employees with those of the investors in our funds, and this alignment has been a key contributor to our strong performance and growth. We also believe that ownership in our funds and the Company by our NEOs results in alignment of their interests with those of our fund investors and unitholders.

Our compensation program is a management tool supporting our mission and values. We believe our program supports, reinforces and aligns our values, business strategy and operations with the goal of increasing assets under management and profitability.

Certain of the Holdco Members (Antony P. Ressler, Michael J. Arougheti, David B. Kaplan and Bennett Rosenthal) in their capacity as our senior Partners, together with Michael R. McFerran, our chief financial officer and principal financial officer, are our NEOs for 2016. Incentive fee arrangements with our NEOs are described below under "Elements of Compensation-Incentive Fees." Our NEOs have entered into fair competition agreements with us that are described below under "-Summary Compensation Table-Fair Competition Provisions."

Determination of Compensation for Named Executive Officers

We do not have a compensation committee. The Holdco Members, in their capacity as managers of Ares Partners Holdco LLC, make all determinations regarding the cash compensation of our NEOs, such as salaries and bonuses.

The Equity Incentive Committee of our general partner has been delegated the authority to make equity awards to individuals other than our executive officers and directors. The board of directors of our general partner makes all final determinations regarding equity awards pertaining to our executive officers and directors. For NEOs, carried interest and incentive fee awards are generally determined by the Holdco Members and approved by the Conflicts Committee of the board of directors of our general partner.

It is our policy that the Holdco Members do not receive compensation other than carried interest and incentive fees. For 2016, Mr. McFerran's salary and bonus decisions were based on his individual performance, the performance of the business or group for which he has responsibility and his ability to contribute to our overall performance in both the long and short term. Salary and bonus determinations are based on the judgment of the Holdco Members and do not rely on quantitative performance targets or other formulaic calculations. Factors that the Holdco Members typically consider in making such salary and bonus determinations include the NEO's role, level of responsibilities and contributions to our success. The Holdco Members also consider the NEO's prior-year compensation while balancing short-term and long-term incentives.

Elements of Compensation

Our NEOs are generally compensated through a combination of carried interest and incentive fees that are designed to reward performance and align the interests of our NEOs with the interests of our fund investors and unitholders, and for NEOs who are not Holdco Members, equity awards. In 2016, Mr. McFerran was the only NEO to receive a base salary, discretionary bonus payment and equity awards.

We believe that the elements of compensation for our NEOs serve the primary objectives of our compensation program. However, we periodically review the compensation of our key employees, including our NEOs, and, from time to time, may implement new plans or programs or otherwise make changes to the compensation structure relating to current or future key employees, including our NEOs.

Annual Base Salary. In 2016, Mr. McFerran was the only NEO who received an annual salary, the details of which are set out in the Summary Compensation Table that follows.

We intend the base salary of Mr. McFerran to reflect his position, duties and responsibilities as our chief financial officer, as well as recognize his anticipated contribution to our ongoing initiatives and future success. Although we believe that the base salary of our NEOs should not typically be the most significant amount of total compensation, we intend that any base salary amounts should attract and retain top talent as well as assist with the payment of basic living costs throughout the year.

Annual Cash Discretionary Bonus Payments. For 2016, Mr. McFerran is the only NEO who received an annual discretionary bonus.

Mr. McFerran's total discretionary bonus was determined by certain of the Holdco members in their capacity as managers of Ares Partners Holdco LLC and recognizes Mr. McFerran's individual contribution to our overall goals and performance. We intend the discretionary bonus payment to reward Mr. McFerran for assisting us to achieve our annual goals, both for the Company as a whole and in his respective area of responsibility. Factors that were included in determining the size of the bonus payment include Mr. McFerran's accomplishments in driving our results, his leadership and management of his team and our overall performance. Comparisons were made to prior year performance and to our other senior professionals with the intention to reward, motivate and retain Mr. McFerran.

A portion of the 2016 annual discretionary bonus awarded to Mr. McFerran was granted in January 2017 in the form of restricted units to be settled in common units. We paid 79% of his total discretionary bonus in cash in December 2016, and we awarded the balance in January 2017 as a grant of restricted units equal to 21% of his total discretionary bonus.

Incentive Fees. The general partners or managers of certain of our funds receive performance-based fees from our funds based on the applicable fund's performance each year. Our senior professionals may be awarded a percentage of such incentive fees. These incentive fees are determined based on the seniority of the senior professional and the role of such senior professional in the applicable fund. We intend our incentive fee awards to incentivize the growth of our various operations and help align our investment and other professionals, including our NEOs, with our fund investors and unitholders. Messrs. Arougheti and McFerran are the only NEOs who received incentive fees in 2016. For many partners and managers, these awards are made annually, are not subject to vesting and generally are forfeitable upon termination of employment in certain circumstances. However, for Mr. Arougheti, certain of the incentive fees are structured such that, notwithstanding his termination of employment with us, he may be eligible to continue to receive distributions relating to a declining portion of his incentive fee allocation for a period of up to twelve quarters following his termination of employment. The incentive fee participation interests held by our senior professionals generally are subject to dilution. Incentive fees, if any, in respect of a particular fund are paid to the senior professional only when actually received by the general partner, manager or other Ares entity entitled to receive such fees. In addition, the fees in which our senior professionals are entitled to share do not include base management fees, administrative fees or other expense reimbursements received from our funds. Because our senior professionals' entitlement to incentive fees is generally subject to the fund meeting investment performance hurdles, the interests of our senior professionals are strongly aligned with the interests of our fund investors, thus ultimately benefitting our fund investors and unitholders through our success as a whole.

Carried Interest. The general partners or affiliates of certain of our funds receive a preferred allocation of income and gains from our funds if specified returns are achieved, which we refer to as "carried interest." We intend our carried interest awards to incentivize the growth of our various operations and help align our senior professionals (including our NEOs) with our fund investors and unitholders. Our senior professionals (including our NEOs) who work in these operations collectively own a majority of the carried interest. The percentage of carried interest owned by individual senior professionals varies and generally is subject to dilution for senior professionals owning a larger portion of the carried interest by fund. The percentage of carried interest is determined based on the seniority of the senior professional and the role of such senior professional in such fund. Ownership of carried interest by senior professionals may be subject to a range of vesting conditions, including continued employment, thus serving as an important employment retention mechanism. Carried interest generally vests over the longer of a fund's investment period and five years from the date of grant, but may also vest in connection with the end of the fund for certain funds. For certain of our NEOs, certain of their carried interest awards will accelerate upon termination of such NEO's services to us without cause or by reason of death or disability of such NEO. Each of our NEOs (except Mr. McFerran) received cash distributions attributable to carried interest in 2016.

In addition, the general partners that receive allocations of carried interest generally are subject to contingent repayment obligations, under which the general partners are required to return to the applicable fund distributions from carried interest in certain situations. Our senior professionals (including certain of our NEOs) who receive allocations of carried interest are personally subject to this contingent repayment obligation, pursuant to which they may be required to repay previous distributions. Because the amount of carried interest distributions is directly tied to the realized performance of the underlying fund, our senior professionals' direct ownership of carried interest fosters a strong alignment of their interests with the interests of our fund investors, thus ultimately benefitting our fund investors and unitholders through our success as a whole.

Options and Other Equity Grants. We may grant equity to incentivize our NEOs' continued employment and to align their interests with our fund investors and unitholders. We utilize options to purchase common units ("options") and grants of restricted units to be settled in common units as our principal forms of long-term equity compensation. Option and restricted unit awards are granted pursuant to our 2014 Equity Incentive Plan. NEOs are entitled to cash dividends, if any, in respect of restricted units. In March 2016, pursuant to the terms of his offer letter, we granted Mr. McFerran 36,497 restricted units. On each of the second, third and fourth anniversaries of Mr. McFerran's commencement of employment, Mr. McFerran is entitled to receive a further equity grant, subject to continued employment. The restricted units granted to Mr. McFerran in March 2016 vest in equal installments on the third, fourth and fifth anniversaries of the date of grant, subject to continued employment.

Upon termination of employment for any reason, the unvested portion of Mr. McFerran's equity grants will generally be forfeited. However, if Mr. McFerran's termination of employment or service is as a result of Mr. McFerran's termination without Cause (as defined in his offer letter) or by reason of death or disability after the first anniversary of the date of grant and prior to the second anniversary of the date of grant, 11% of Mr. McFerran's equity grants will vest. If Mr. McFerran's termination of employment or service is as a result of Mr. McFerran's termination without Cause or by reason of death or disability after the second anniversary of the date of grant and prior to the third anniversary of the date of grant, 22% of Mr. McFerran's equity grants will vest. For further information regarding Mr. McFerran's equity grants, see "-Termination Payments-Equity Arrangements with Michael McFerran."

Beginning in 2016, we awarded a portion of the annual discretionary bonus to key employees (including those NEOs who receive annual discretionary bonuses) in the form of restricted units to be settled in common units. These restricted units vest in four equal installments on the first, second, third and fourth anniversaries of the date of grant, subject to continued employment. We refer to these restricted units as "Deferred Units." In January 2016 we granted 15,068 Deferred Units to Mr. McFerran and in January 2017 we granted 11,462 Deferred Units to Mr. McFerran, in each case, in respect of his discretionary bonus for the preceding calendar year. Generally, upon termination of employment, the unvested portion of the award will lapse. Upon termination of employment without Cause, by reason of death or disability, or for normal retirement or early retirement, the unvested portion of the award will vest upon termination of employment and the Deferred Units granted in 2016 will be paid on the previously scheduled vesting dates, while the Deferred Units granted in 2017 will be paid upon the termination. We believe the period of deferral and the vesting schedule sufficiently aligns the interests of NEOs who receive discretionary bonuses with our interests, as well as the interests of our fund investors and unitholders.

Pursuant to the 2014 Equity Incentive Plan, in August 2016 we granted 100,000 restricted units to Mr. McFerran. The restricted units granted to Mr. McFerran in August 2016 were granted in recognition of his continued service to the Company and will vest on the fifth anniversary of the date of grant, subject to continued employment. Upon termination of employment for any reason, the unvested portion of Mr. McFerran's August 2016 equity grant will be forfeited.

401(k) Retirement Plan. Mr. McFerran is currently the only NEO who is eligible to participate in our 401(k) program. We intend that participation in our 401(k) program will assist him to set aside funds for retirement in a tax efficient manner. The Ares retirement plan provides options for contributing to a traditional pre-tax 401(k), a post-tax Roth 401(k) or a combination of both, up to allowable IRS limits. In addition, we provide a discretionary match equal to 50% of the first 6% of the individual's earnings, up to allowable IRS limits. The match is subject to a four-year vesting schedule, vesting 25% per year over the first four years of employment at Ares. Once employed for four years, 100% of any match outstanding or due to the employee is vested. In 2016, Mr. McFerran received a 401(k) match from us in the amount of $3,542.

Termination Payments

Equity Arrangements with Michael McFerran. With respect to equity grants to Mr. McFerran, other than his August 15, 2016 award and the Deferred Units, in the event that Mr. McFerran's employment is terminated without Cause or by reason of death or disability after the first anniversary of the date of grant and prior to the second anniversary of the date of grant, 11% of any grants of restricted units and options will vest. In the event that Mr. McFerran's employment is terminated without Cause or by reason of death or disability after the second anniversary of the date of grant and prior to the third anniversary of the date of grant, 22% of any grants of restricted units and options will vest.

Deferred Unit Awards . If Mr. McFerran's employment is terminated without Cause, by reason of his death or disability or for early or normal retirement, the unvested portion of his Deferred Units will vest and the Deferred Units granted in 2016 will be paid on the previously scheduled vesting dates, while the Deferred Units granted in 2017 will be settled upon termination.

Incentive Fees and Carried Interest. For certain of our NEOs, certain of their carried interest awards will accelerate upon termination of such NEO's services to us without cause or by reason of death or disability of such NEO. Our incentive fee awards are generally annual awards and forfeitable upon termination of employment in certain circumstances. However, for Mr. Arougheti, certain of the incentive fees are structured such that, notwithstanding his termination of employment with us, he may be eligible to continue to receive distributions relating to a declining portion of his incentive fee allocation for a period of up to twelve quarters following his termination of employment.

Compensation Risk Assessment

Our compensation policies are targeted to incentivize investing in a risk-controlled fashion and are intended to discourage undue risk. Therefore, the key elements of our compensation consists of the grant of equity and, for senior professionals, carried interest subject to multi-year vesting or annual awards of incentive fees, particularly as employees become more senior in the organization and assume more leadership. We believe this policy encourages long-term thinking and protects us against excessive risk and investing for short-term gain.

Our funds generally distribute carried interest with respect to the disposition of an investment only after we have returned to our investors a preferred return and allocable capital relating to such disposition. As a result, in analyzing investments and making investment decisions, our investment professionals are motivated to take a long-term view of their investments, as short-term results typically do not affect their compensation and because they will have to return previously distributed excess carry due to subsequent under-performance of a fund. Importantly, the amount of carried interest paid to these investment professionals is determined by the performance of the fund as a whole, rather than specific investments, meaning that they have a material interest in every investment. This approach discourages excessive risk taking, as even a hugely successful single investment will result in carried interest payments only if the overall performance of the fund exceeds the requisite hurdle.

Incentive fees are generally paid out to the general partner or manager annually upon the achievement of the requisite hurdles by such fund and our senior professionals similarly receive their proportion of the incentive fee only upon receipt of payment by the fund. Certain of our funds also have "high water marks" such that if the high water mark for a particular fund is not surpassed even if such fund had positive returns in such period, we would not earn an incentive fee with respect to such fund during a particular period as a result of losses in prior periods. Such hurdle rates or high water marks are an incentive to our professionals to maximize returns over the long run, as excessive risk taking and poor performance in the short term will affect their future receipt of incentive fees.

Compensation Committee Report

As described above, the board of directors of our general partner does not have a compensation committee. The entire board of directors has reviewed and discussed with management the foregoing Compensation Discussion and Analysis and, based on such review and discussion, has determined that the Compensation Discussion and Analysis should be included in this annual report.

Michael J. Arougheti
David B. Kaplan
John H. Kissick
Antony P. Ressler
Bennett Rosenthal
Paul G. Joubert
Michael Lynton
Dr. Judy D. Olian

Compensation Committee Interlocks and Insider Participation

As described above, we do not have a compensation committee. Other than the grant of equity awards by the board of directors of our general partner to our executive officers, the Holdco Members make all determinations regarding executive officer compensation. In such capacity, the Holdco Members have determined that maintaining our existing compensation practices as closely as possible is desirable and intend that these practices will continue. Accordingly, the Holdco Members do not intend to establish a compensation committee of the board of directors of our general partner. For a description of certain transactions between us and our senior professionals see “Item 13. Certain Relationships and Related Transactions, and Director Independence."

COMPENSATION OF OUR EXECUTIVE OFFICERS

Summary Compensation Table for Fiscal 2016

The following table contains information about the compensation paid to or earned by each of our named executive officers during the most recently completed fiscal year.

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)(3)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)		Total ($)
Antony P. Ressler, *Co-Founder, Chairman and Chief Executive Officer*	2016	—	—	—	—	—	—	32,345,129	(4)(9)	32,345,129
	2015	—	—	—	—	—	—	4,374,304	(4)(9)	4,374,304
	2014	—	—	—	—	—	—	4,304,164	(4)(9)	4,304,164
Michael J Arougheti, *Co-Founder and President*	2016	—	—	—	—	—	—	6,977,787	(5)(9)	6,977,787
	2015	—	—	—	—	—	—	8,310,663	(5)(9)	8,310,663
	2014	—	—	—	—	—	—	9,922,313	(5)(9)	9,922,313
David B. Kaplan, *Co-Founder and Partner*	2016	—	—	—	—	—	—	31,538,615	(4)(9)	31,538,615
	2015	—	—	—	—	—	—	3,267,725	(4)(9)	3,267,725
	2014	—	—	—	—	—	—	3,484,982	(4)(9)	3,484,982
Bennett Rosenthal, *Co-Founder and Partner*	2016	—	—	—	—	—	—	31,538,615	(4)(9)	31,538,615
	2015	—	—	—	—	—	—	3,267,725	(4)(9)	3,267,725
	2014	—	—	—	—	—	—	3,484,982	(4)(9)	3,484,982
Michael R. McFerran, *Chief Financial Officer* (6)	2016	1,000,000	787,500	2,390,749	—	—	—	8,736	(7)	4,186,985
	2015	774,307	597,500	473,025	951,654	—	—	88,294	(8)	2,884,780

(1) In 2014, 2015 and 2016, we did not make salary payments to Messrs. Ressler, Arougheti, Kaplan or Rosenthal.

(2) Represents the cash portion of the discretionary bonuses, which were paid in December 2016 and January 2016 related to 2016 and 2015, respectively. As further described in “—Compensation Discussion and Analysis—Annual Cash Discretionary Bonus Payments”, Mr. McFerran received 21% and 23% of his 2016 and 2015 discretionary bonuses in restricted units granted in January 2017 and January 2016, respectively, which are not included in these amounts.

(3) Represents the grant date fair value of restricted units and options to purchase common units. See Note 15 to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

(4) Represents actual cash distributions attributable to “carried interest” allocations in 2016, 2015 and 2014.

(5) Includes actual cash distributions attributable to “carried interest” allocations of $553,796 , $210,324 and $515,428 and incentive fee allocations of $6,423,991 , $8,100,339 and $9,406,885 for 2016, 2015 and 2014, respectively.

(6) Mr. McFerran became an NEO in March 2015.

(7) Includes $5,194 of actual cash distributions attributable to "incentive fee" allocations and $3,542 in matching contributions under our 401(k) plan.

(8) Represents a relocation allotment of $88,294 received in 2015 in connection with his move from San Francisco, California to Los Angeles, California. This amount was to compensate him for the transportation of household goods to his new residence and temporary housing and tax gross-up for moving-related assistance reported as personal taxable income.

(9) Messrs. Ressler, Arougheti, Kaplan and Rosenthal (and their family members and estate planning vehicles) also received cash distributions from Ares Owners Holdings L.P. based on their ownership of units in Ares Owners Holdings L.P. Such amounts are distributions in respect of their equity ownership interests and are not included in compensation amounts presented. Mr. Ressler received distributions of $61,729,326, $67,993,024 and $113,291,342 in 2016, 2015 and 2014, respectively. Each of Messrs. Arougheti, Kaplan and Rosenthal received distributions of $12,927,282, $14,239,018 and $21,308,124 in 2016, 2015 and 2014, respectively.

Offer Letter with Michael R. McFerran

We entered into an offer letter with Mr. McFerran on March 10, 2015 relating to Mr. McFerran's employment as chief financial officer, establishing his position and duties and providing for initial compensatory terms.

See "—Compensation Discussion and Analysis" for a discussion of the current compensatory terms applicable to NEOs.

Grants of Plan-Based Awards in 2016

The following table contains information about each grant of an award made to our NEOs in 2016 under any plan, including awards that subsequently have been transferred.

Name	Grant Date(1)	Stock Awards: Number of Shares of Stock or Units (8)	Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards(2) ($)
Antony P. Ressler	—	—	—	—	—
Michael J Arougheti	—	—	—	—	—
David B. Kaplan	—	—	—	—	—
Bennett Rosenthal	—	—	—	—	—
Michael R. McFerran	1/20/2016	15,068 (3)	—	—	168,912
	3/23/2016 (4)	36,497 (5)	—	—	487,837
	8/15/2016 (6)	100,000 (7)	—	—	1,734,000

(1) For information regarding the timing of option grants, see "—Elements of Compensation—Options and Other Equity Grants."

(2) Represents the grant date fair value of restricted units and options to purchase common units. See Note 15 to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

(3) Represents restricted units granted under our 2014 Equity Incentive Plan to be settled in common units, awarded to Mr. McFerran as a portion of his annual discretionary bonus. The restricted units generally vest in four equal installments on each of January 20, 2017, 2018, 2019, and 2020, subject to continued employment and earlier vesting upon the occurrence of specified events.

(4) On March 17, 2015, in connection with the approval of Mr. McFerran's offer letter, the Board of Directors approved annual restricted unit grants to Mr. McFerran as forth in his offer letter. Subject to Mr. McFerran's continued employment, these grants are made on each anniversary of March 23, 2015.

(5) Represents restricted units granted under our 2014 Equity Incentive Plan to be settled in common units upon vesting. The restricted units generally vest in three equal installments on each of March 23, 2019, 2020 and 2021, subject to continued employment and earlier vesting upon the occurrence of specified events.

(6) This award was approved by the Board of Directors on August 4, 2016.

(7) Represents restricted units granted under our 2014 Equity Incentive Plan to be settled in common units upon vesting. The restricted units will vest on August 15, 2021, subject to continued employment.

(8) For further information regarding the vesting of restricted units and options, see "—Elements of Compensation—Options and Other Equity Grants."

Outstanding Equity Awards at Fiscal Year-End

The following table contains information concerning unvested equity awards unexercised options; stock that has not vested; and equity incentive plan awards outstanding for each NEO as of December 31, 2016:

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Antony P. Ressler	—	—	—	-	—	—	—	—
Michael J Arougheti	—	—	—	-	—	—	—	—
David B. Kaplan	—	—	—	-	—	—	—	—
Bennett Rosenthal	—	—	—	-	—	—	—	—
Michael R. McFerran	—	254,453 (1)	18.35	March 23, 2025	27,248 (2) 15,068 (3) 36,497 (4) 100,000 (5)	523,162 289,306 700,742 1,920,000	—	—

(1) The options granted on March 23, 2015 vest in equal installments on each of March 23, 2018, 2019 and 2020, subject to continued employment and earlier vesting upon the occurrence of specified events.

(2) The restricted units granted on March 23, 2015 vest in equal installments on each of March 23, 2018, 2019 and 2020, subject to continued employment and earlier vesting upon the occurrence of specified events.

(3) The restricted units granted on January 20, 2016 vest in four equal installments on January 20, 2017, 2018, 2019 and 2020, subject to continued employment and earlier vesting upon the occurrence of specified events.

(4) The restricted units granted on March 23, 2016 vest in three equal installments on March 23, 2019, 2020 and 2021, subject to continued employment and earlier vesting upon the occurrence of specified events.

(5) The restricted units granted on August 15, 2016 vest on August 15, 2021, subject to continued employment.

Common Units and Ares Operating Group Units

We refer to the common units and Ares Operating Group Units issued as part of our Reorganization and common units received in exchange for such Ares Operating Group Units as "subject units."

The subject units received by our senior professional owners are fully vested. Unless otherwise determined by our general partner, a senior professional owner will generally forfeit 25% of his or her subject units (i) in the case of Messrs. Arougheti, Kaplan, Rosenthal or Ressler, if such person resigns or (ii) generally in the case of a senior professional owner other than those listed in clause (i), if such senior professional owner resigns or is terminated for cause, in all cases prior to the fifth anniversary of our initial public offering or the second anniversary of our initial public offering if such person is at least 60 years old on the date of any resignation.

The subject units owned by each of our senior professional owners are generally subject to the following transfer restrictions: none of the subject units may be transferred or exchanged in the first two years following our initial public offering and up to 20% of the subject units may be transferred or exchanged in each year following the second anniversary of our initial public offering and prior to the seventh anniversary of our initial public offering. However, sales may occur prior to such time pursuant to acquisitions or other transactions or programs approved by our general partner. After the seventh anniversary of our initial public offering, any of the subject units may be transferred or exchanged at any time, subject to the restrictions in the exchange agreement.

The forfeiture provisions and transfer restrictions set forth above are generally applicable. There may be some different arrangements for some individuals in isolated instances, none of which are applicable to our NEOs.

Assuming that all of the outstanding Ares Operating Group Units were exchanged for common units, each of Messrs. Arougheti, Kaplan and Rosenthal would hold, directly or indirectly, common units representing 6.58% of the total number of common units outstanding and Mr. Ressler would hold, directly or indirectly, common units representing 31.14% of the total number of common units outstanding, in each case subject to transfer restrictions and forfeiture provisions. Mr. McFerran does not hold any Ares Operating Group Units. Assuming that all of the outstanding Ares Operating Group Units were exchanged for common units, an additional 60 or more senior professionals would own common units representing approximately 18.61% of the total number of common units outstanding.

Option Exercises and Stock Vested

Our NEOs did not exercise any options from compensation-related equity awards in fiscal 2016. Our NEOs did not vest into equity from compensation-related equity awards in fiscal 2016.

Pension Benefits For 2016

We provide no pension benefits to our NEOs.

Nonqualified Deferred Compensation For 2016

We provide no defined contribution plans for the deferral of compensation on a basis that is not tax-qualified.

Potential Payments upon Termination or Change-in-Control

Other than as set forth below, our NEOs are not entitled to any additional payments or benefits upon termination of employment, upon a change in control or upon retirement, death or disability. For certain of our NEOs, certain of their carried interest awards will accelerate upon termination of such NEO's services to us without cause or by reason of death or disability of such NEO.

Equity Arrangements with Michael McFerran

In the event that Mr. McFerran's employment is terminated without Cause or by reason of death or disability after the first anniversary of the date of grant and prior to the second anniversary of the date of grant, 11% of the restricted units granted on March 23, 2015 and March 23, 2016 and options granted on March 23, 2015 will vest. In the event that Mr. McFerran's employment is terminated without Cause or by reason of death or disability after the second anniversary of the date of grant and prior to the third anniversary of the date of grant, 22% of any restricted units granted on March 23, 2015 and March 23, 2016 and options granted on March 23, 2015 will vest. If Mr. McFerran had experienced a termination without Cause or by reason of death or disability on December 31, 2016, Mr. McFerran would have vested in restricted units having a value of $57,542, based on the closing price for our common units on such date, which was $19.20.

Deferred Unit Awards

If Mr. McFerran's employment is terminated without Cause, by reason of his death or disability or for early or normal retirement, the unvested portion of his Deferred Units will vest and the Deferred Units granted in 2016 will be paid on the previously scheduled vesting dates. If Mr. McFerran had experienced a termination without Cause, by reason of death or disability or for early or normal retirement on December 31, 2016, Mr. McFerran would have vested in Deferred Units having a value of $289,306, based on the closing price of our common units on such date, which was $19.20.

Fair Competition Provisions

In connection with the Reorganization, Ares Owners Holdings L.P. entered into new fair competition agreements with the NEOs, and Mr. McFerran entered into a fair competition agreement upon commencement of his employment. Such agreements contain customary restrictive covenants, including a non-competition provision that runs through the one-year period following withdrawal or dissociation from Ares Owners Holdings L.P. and provisions relating to non-solicitation of employees and clients that run through the one-year period following termination of employment. In addition, such agreements require our NEOs to preserve confidential information and include assignments of intellectual property to us and our affiliates, including investment track records.

Compensation of our Directors

Each director who is not an employee of or service provider to (other than as a director) any entity related to Ares Management, L.P. ("independent directors") receives an annual retainer of $100,000, payable in cash for the actual service period. An additional annual cash retainer of $15,000 is payable annually to the chair of our audit committee. In addition, independent directors received an initial equity grant of 3,947 restricted units upon the completion of our initial public offering, pursuant to the 2014 Equity Incentive Plan, which vests at a rate of one-third per year, beginning on the first anniversary of the grant date.

We also reimburse independent directors for reasonable out-of-pocket expenses incurred in connection with the performance of their duties as directors, including travel expenses in connection with their attendance in-person at board and committee meetings. Directors who are employees of or provide services to (other than as a director) any entity related to Ares Management, L.P. did not receive any compensation for their services as directors. See "Item 13. Certain Relationships and Related Transactions, and Director Independence—Other Transactions."

Directors Compensation Table

The following table contains information concerning the compensation of the non-employee directors for the fiscal year ended December 31, 2016.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Paul G. Joubert	115,000	—	—	—	—	—	115,000
John H. Kissick(2)	—	—	—	—	—	6,908,646 (3)	6,908,646
Michael Lynton	100,000	—	—	—	—	—	100,000
Dr. Judy D. Olian	100,000	—	—	—	—	—	100,000

(1) On May 1, 2014, Messrs. Joubert and Lynton and Dr. Olian were each granted 3,947 restricted units, vesting in equal installments on each of May 1, 2015, 2016 and 2017. As of December 31, 2016, Messrs. Joubert and Lynton and Dr. Olian have each vested in 2/3 of their respective grants of 3,947 restricted units.

(2) Mr. Kissick receives no compensation for his service as a member of our board of directors.

(3) Includes actual cash distributions attributable to "carried interest" allocations of $6,892,050 and incentive fee allocations of $16,596 .Mr. Kissick (and his family members and estate planning vehicles) also received cash distributions from Ares Owners Holdings L.P. based on his ownership of units in Ares Owners Holdings L.P. Such amounts are distributions in respect of his equity ownership interests and are not included in compensation amounts presented. Mr. Kissick received distributions of $5,112,056 in 2016.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED UNITHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership of our common units and Ares Operating Group Units as of February 21, 2017 by (1) each person known to us to beneficially own more than 5% of any class of the outstanding voting securities of Ares Management, L.P., (2) each of the directors and named executive officers of our general partner and (3) all directors and executive officers of our general partner as a group. We are managed by our general partner, Ares Management GP LLC, and the limited partners of Ares Management, L.P. do not presently have the right to elect or remove our general partner or its directors. Accordingly, we do not believe the common units are "voting securities" as such term is defined in Rule 12b-2 under the Exchange Act.

The number and percentage of common units and Ares Operating Group Units beneficially owned is based on the number of our common units and Ares Operating Group Units issued and outstanding as of February 21, 2017.

Beneficial ownership is determined in accordance with the rules of the SEC. Under these rules, more than one person may be deemed a beneficial owner of the same securities, and a person may be deemed a beneficial owner of securities as to which he has no economic interest. Beneficial ownership reflected in the table below includes the total units held by the individual and his or her personal planning vehicles. The address of each beneficial owner set forth below is c/o Ares Management, L.P., 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

Name of Beneficial Owner	Common Units with Voting Power Beneficially Owned(1)(2)		Ares Operating Group Units Beneficially Owned(1)(2)(3)	
	Number	% of Class	Number	% of Class
Directors and Named Executive Officers:				
Michael J Arougheti	—	—	10,421,596	4.93%
David B. Kaplan	—	—	10,421,596	4.93%
John H. Kissick	—	—	4,121,190	1.95%
Antony P. Ressler	—	—	49,764,375	23.52%
Bennett Rosenthal	—	—	10,421,596	4.93%
Paul G. Joubert	—	—	—	—
Michael Lynton	—	—	—	—
Dr. Judy D. Olian	—	—	—	—
Michael R. McFerran	—	—	—	—
All directors and executive officers as a group (10 persons)	—	—	85,742,971	40.53%

(1) Subject to certain restrictions, the Ares Operating Group Units are exchangeable for common units of Ares Management, L.P. on a one-for-one basis (subject to the terms of the exchange agreement). See "Item 13. Certain Relationships and Related Transactions, and Director Independence—Exchange Agreement." As noted above, we do not believe the common units are "voting securities" as such term is defined in Rule 12b-2 under the Exchange Act. Including common units receivable upon exchange of the Ares Operating Group Units listed above, each of Messrs. Arougheti, Kaplan and Rosenthal own or have the right to receive 13,901,648 common units; Mr. Kissick owns or has the right to receive 5,572,936 common units; Mr. Ressler owns or has the right to receive 65,785,153 common units; Mr. McFerran owns or has the right to receive 298,659 common units; Mr. Joubert owns or has the right to receive 13,947 common units; Dr. Olian owns or has the right to receive 5,747 common units; and Mr. Lynton owns or has the right to receive 3,947 common units. See "Item 11. Executive Compensation."

(2) Ares Voting LLC, an entity wholly owned by Ares Partners Holdco LLC, which is in turn owned and controlled by the Holdco Members, holds a special voting unit in Ares Management, L.P. that entitles it, on those few matters that may be submitted for a vote of our common unitholders, to a number of votes that is equal to the aggregate number of Ares Operating Group Units held by the limited partners of the Ares Operating Group entities that do not hold a special voting unit.

(3) Information presented does not include Ares Operating Group Units with respect to which our named executive officers may be deemed to have shared control due to their control of Ares Voting LLC.

Securities Authorized for Issuance under Equity Incentive Plans

The table set forth below provides information concerning the awards that may be issued under the 2014 Equity Incentive Plan as of December 31, 2016:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(2)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	—	—	—
Equity compensation plans not approved by security holders	30,290,511	$ 13.86	30,397,280
Total	30,290,511	$ 13.86	30,397,280

(1) Reflects the aggregate number of outstanding non-qualified options, unit appreciation rights, common units, restricted units, deferred restricted units, phantom units, unit equivalent awards and other awards based on common units, to which we collectively refer as our "units," granted under the 2014 Equity Incentive Plan as of December 31, 2016.

(2) The aggregate number of units available for future grants under our 2014 Equity Incentive Plan is increased on the first day of each fiscal year by the number of units equal to the positive difference, if any, of (a) 15% of the aggregate number of common units and Ares Operating Group Units outstanding on the last day of the immediately preceding fiscal year (excluding Ares Operating Group Units held by Ares Management, L.P. or its wholly owned subsidiaries) minus (b) the aggregate number of our units otherwise available for future grants under our 2014 Equity Incentive Plan as of such date (unless the administrator of the 2014 Equity Incentive Plan should decide to increase the number of common units available for future grants under the plan by a lesser amount). The units underlying any award granted under the 2014 Equity Incentive Plan that expire, terminate or are cancelled (other than in connection of a payment) without being settled in units will again become available for awards under the 2014 Equity Incentive Plan. Awards

settled solely in cash do not use units under the 2014 Equity Incentive Plan. As of January 1, 2017, pursuant to this formula, 31,686,457 units were available for issuance under the 2014 Equity Incentive Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Reorganization

As part of the Reorganization prior to our initial public offering, we undertook a number of transactions as described under "Note 1. Organization and Basis of Presentation—Reorganization, " to our consolidated financial statements included in this Annual Report on Form 10-K, whereby, among other things, our businesses were reorganized into a holding partnership structure. Ares Management, L.P. acquired, through wholly owned subsidiaries, a number of Ares Operating Group Units equal to the aggregate number of common units that Ares Management, L.P. issued in connection with its initial public offering. In connection with their acquisition of partnership units in the Ares Operating Group entities, Ares Management, L.P. and its direct subsidiaries became the general partners of each of the Ares Operating Group entities.

Our General Partner

Our general partner manages all of our operations and activities. For so long as, as determined on January 31 of each year, the Ares control condition is satisfied, the board of directors of our general partner has no authority other than that which Ares Partners Holdco LLC, the member of our general partner and an entity owned and controlled by the Holdco Members, chooses to delegate to it. If the Ares control condition is not satisfied, the board of directors of our general partner will be responsible for the oversight of our business and operations.

Unlike the holders of common stock in a corporation, our common unitholders have limited voting rights and have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. Our common unitholders have no right to elect the directors of our general partner unless the Ares control condition is not satisfied. For so long as the Ares control condition is satisfied, our general partner's board of directors is elected in accordance with its limited liability company agreement, which provides that directors are appointed and removed by Ares Partners Holdco LLC, the member of our general partner. Ares Partners Holdco LLC is owned by the Holdco Members and managed by a board of managers which is composed of Messrs. Arougheti, de Veer, Kaplan, Ressler and Rosenthal (the "Managers"). Decisions by the board of managers generally are made by a majority of the Managers, which majority must include Antony P. Ressler. The Holdco Members, through Ares Owners Holdings L.P. and the special voting units held by Ares Voting LLC, have approximately 72.13% of the voting power of Ares Management, L.P. As a result, our common unitholders have limited ability to influence decisions regarding our businesses.

Tax Receivable Agreement

The holders of Ares Operating Group Units, subject to any applicable transfer restrictions and other provisions, may on a quarterly basis, (subject to the terms of the exchange agreement), exchange their Ares Operating Group Units for our common units on a one-for-one basis or, at our option, for cash. A holder of Ares Operating Group Units must exchange one Ares Operating Group Unit in each of the three Ares Operating Group entities to effect an exchange for a common unit of Ares Management, L.P. Ares Holdings L.P. (and any other entities as may be determined by our general partner) has made or will make an election under Section 754 of the Code for each taxable year in which an exchange of Ares Operating Group Units for common units occurs, which is expected to result in increases to the tax basis of its assets at the time of an exchange of Ares Operating Group Units. Subsequent exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Ares Holdings L.P. that may reduce the amount of tax that certain of our subsidiaries, including AHI, which we refer to as, together with any successors thereto, the "corporate taxpayers," would otherwise be required to pay in the future. These increases in tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The IRS may challenge all or part of the tax basis increase and increased deductions, and a court could sustain such a challenge.

We entered into a tax receivable agreement with the TRA Recipients that provides for the payment by our corporate taxpayer to the TRA Recipients of 85% of the amount of cash tax savings, if any, in U.S. federal, state, local and foreign income tax that the corporate taxpayer actually realizes (or is deemed to realize in the case of an early termination payment by the corporate taxpayer or a change in control, as discussed below) as a result of increases in tax basis and certain other tax benefits related to our entering into the tax receivable agreement. This payment obligation is an obligation of the corporate taxpayer and not of the Ares Operating Group. The corporate taxpayer will benefit from the remaining 15% of cash tax savings, if any, in income tax it realizes. For purposes of the tax receivable agreement, the cash tax savings in income tax will be computed by comparing the actual income tax liability of the corporate taxpayer (calculated with certain assumptions) to the amount of such taxes that the corporate taxpayers would have been required to pay had there been no increase to the tax basis of the assets of Ares holdings L.P. as a result of the exchanges and had the corporate taxpayers not entered into the tax receivable agreement. A limited partner of an Ares Operating Group entity may elect to exchange Ares Operating Group Units in a tax-free transaction where the limited partner is making a charitable contribution or otherwise with our consent. In such a case, the exchange will not result in an increase in the tax basis of the assets of the relevant Ares Operating Group entity and no payments will be made under the tax receivable agreement.

The term of the tax receivable agreement commenced on May 1, 2014 and will continue until all such tax benefits have been utilized or expired, unless the corporate taxpayer exercises its right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement (as described in more detail below) or the corporate taxpayer breach any of its material obligations under the tax receivable agreement in which case all obligations will generally be accelerated and due as if the corporate taxpayer had exercised its right to terminate the tax receivable agreement. Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, as the calculation depends on a variety of factors. The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including:

- the timing of exchanges—for instance, the increase in any tax deductions will vary depending on the fair value, which may fluctuate over time, of the depreciable or amortizable assets of the relevant Ares Operating Group entity at the time of each exchange;

- the price of our common units at the time of the exchange—the increase in any tax deductions, as well as the tax basis increase in other assets, of the Ares Operating Group, is proportional to the price of our common units at the time of the exchange;

- the extent to which such exchanges are taxable—if an exchange is not taxable for any reason, increased deductions will not be available; and

- the amount and timing of our income—the corporate taxpayer will be required to pay 85% of the cash tax savings as and when realized, if any.

If the corporate taxpayer does not have taxable income, the corporate taxpayer is not required (absent a change of control or other circumstances requiring an early termination payment) to make payments under the tax receivable agreement for that taxable year because no cash tax savings will have been actually realized. However, any cash tax savings that do not result in realized benefits in a given tax year will likely generate tax attributes that may be utilized to generate benefits in previous or future tax years. The utilization of such tax attributes will result in payments under the tax receivables agreement.

Future payments under the tax receivable agreement in respect of subsequent exchanges are expected to be substantial. It is possible that future transactions or events could increase or decrease the actual cash tax savings realized and the corresponding tax receivable agreement payments. There may be a material negative effect on our liquidity if, as a result of timing discrepancies or otherwise, the payments under the tax receivable agreement exceed the actual cash tax savings that the corporate taxpayer realizes in respect of the tax attributes subject to the tax receivable agreement and/or distributions to the corporate taxpayer by the Ares Operating Group are not sufficient to permit the corporate taxpayer to make payments under the tax receivable agreement after it has paid taxes. The payments under the tax receivable agreement are not conditioned upon the TRA Recipients' continued ownership of us or the Ares Operating Group.

In addition, the tax receivable agreement provides that upon a change of control, the corporate taxpayers' obligations under the tax receivables agreement with respect to exchanged or acquired Ares Operating Group Units (whether exchanged or acquired before or after such change of control) would be accelerated based on certain assumptions, including that the corporate taxpayers would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement.

Furthermore, the corporate taxpayer may elect to terminate the tax receivable agreement early by making an immediate payment equal to the present value of the anticipated future cash tax savings. In determining such anticipated future cash tax savings, the tax receivable agreement includes several assumptions, including (1) that any Ares Operating Group Units that have not been exchanged are deemed exchanged for the market value of the common units at the time of termination, (2) the corporate taxpayers will have sufficient taxable income in each future taxable year to fully realize all potential tax savings, (3) the tax rates for future years will be those specified in the law as in effect at the time of termination and (4) certain non-amortizable assets are deemed disposed of within specified time periods. In addition, the present value of such anticipated future cash tax savings are discounted at a rate equal to the lesser of (i) 6.5% and (ii) LIBOR plus 100 basis points.

As a result of the change in control provisions and the early termination right, the corporate taxpayer could be required to make payments under the tax receivable agreement that are greater than or less than the specified percentage of the actual cash tax savings that the corporate taxpayer realizes in respect of the tax attributes subject to the tax receivable agreement. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Decisions made by the Holdco Members in the course of running our businesses may influence the timing and amount of payments that are received by the TRA Recipients (including, among others, the Holdco Members and other executive officers) under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase the tax liability of an exchanging holder without giving rise to any rights to payments under the tax receivable agreement. As an additional example, if future holders of Ares Operating Group Units do not become TRA Recipients, upon an exchange of Ares Operating Group Units by such future holders, current TRA Recipients (including, among others, the Holdco Members and other executive officers) will be entitled to a portion of the payments payable under the tax receivable agreement with respect to such exchanges.

Payments under the tax receivable agreement will be based on the tax reporting positions that we will determine. Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase, the corporate taxpayer will not be reimbursed for any payments previously made under the tax receivable agreement with respect to a tax basis increase that is successfully challenged. As a result, in certain circumstances, payments could be made under the tax receivable agreement in excess of the corporate taxpayers' cash tax savings.

In the event that Ares Management, L.P. or any of its direct subsidiaries become taxable as a corporation for U.S. federal income tax purposes, these entities will also be obligated to make payments under the tax receivable agreement on the same basis and to the same extent as the corporate taxpayer.

Investor Rights Agreement

In connection with the initial public offering, we entered into an Investor Rights Agreement that grants Ares Owners Holdings L.P. and the Strategic Investors the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act common units delivered in exchange for Ares Operating Group Units or common units of Ares Management, L.P. otherwise held by them. In addition, we may be required to make available shelf registration statements permitting sales of common units into the market from time to time over an extended period. Lastly, the parties to the Investor Rights Agreement have the ability to exercise certain piggyback registration rights in respect of common units held by them in connection with registered offerings requested by other registration rights holders or initiated by us. Under the Investor Rights Agreement, the Strategic Investors have the right to observe the board meetings of our general partner, subject to an ownership threshold.

Ares Operating Group Governing Agreements

Ares Management, L.P. is a holding partnership and, indirectly through direct subsidiaries, controls and holds equity interests in the Ares Operating Group entities. Ares Management, L.P., either directly or through direct subsidiaries, is the general partner of each of the Ares Operating Group entities. Accordingly, Ares Management, L.P. operates and controls all of the business and affairs of the Ares Operating Group and, through the Ares Operating Group entities and their operating entity subsidiaries, conducts our businesses. Directly or through direct subsidiaries, Ares Management, L.P. has unilateral control over all of the affairs and decision making of the Ares Operating Group. Furthermore, the subsidiaries of Ares Management, L.P. cannot admit substitute general partners to the Ares Operating Group entities without the approval of Ares Management, L.P. or the relevant direct subsidiary.

Pursuant to the governing agreements of the Ares Operating Group entities, the general partner of each of the Ares Operating Group entities has the right to determine when distributions related to the common units will be made to the partners of the Ares Operating Group entities and the amount of any such distributions. If a distribution to the common unitholders is authorized, such distribution is made to the partners of the Ares Operating Group entities pro rata in accordance with the percentages of their respective partnership units.

Each of the Ares Operating Group entities has an identical number of partnership units outstanding. As of February 21, 2017, there were 211,546,198 Ares Operating Group Units outstanding. The holders of partnership units in the Ares Operating Group entities, including Ares Management, L.P. or its direct subsidiaries, incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of the Ares Operating Group. Net profits and net losses of the Ares Operating Group entities are allocated to their partners (including Ares Management, L.P. or its direct subsidiaries), pro rata in accordance with the percentages of their respective partnership units. The agreements of the Ares Operating Group entities provide for cash distributions, which we refer to as "tax distributions," to the partners of such entities if the general partners of the Ares Operating Group entities determine that the taxable income of the relevant Ares Operating Group entity gives rise to taxable income for its partners. Generally, these tax distributions are computed based on our estimate of the net taxable income of the relevant entity multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in Los Angeles, California or New York, New York, whichever is higher (taking into account the non-deductibility of certain expenses and the character of our income). The Ares Operating Group makes tax distributions only to the extent distributions from such entities for the relevant year are otherwise insufficient to cover such tax liabilities.

Subject to any applicable transfer restrictions and other provisions, these partnership units may be exchanged for our common units as described under "—Exchange Agreement" below.

Exchange Agreement

In connection with the initial public offering, we entered into an exchange agreement (which was amended and restated on July 1, 2016) with the holders of Ares Operating Group Units providing that such holders, subject to any applicable transfer restrictions, may up to four times each year (subject to the terms of the exchange agreement) exchange their Ares Operating Group Units for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications, or, at our option, for cash. A holder of Ares Operating Group Units must exchange one Ares Operating Group Unit in each of the three Ares Operating Group entities to effect an exchange for a common unit of Ares Management, L.P. Ares Management, L.P. holds, directly or through its subsidiaries, a number of Ares Operating Group Units equal to the number of common units that Ares Management, L.P. has issued. As a holder exchanges its Ares Operating Group Units, Ares Management, L.P.'s direct or indirect interest in the Ares Operating Group will be correspondingly increased.

Firm Use of Our Co-Founders' Private Aircraft

In the normal course of business, our personnel have made use of aircraft owned by Mr. Ressler and by Messrs. Kaplan and Rosenthal together. Messrs. Ressler, Kaplan and Rosenthal paid for their purchases of the aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by us or our affiliates for the business use of these aircraft by Messrs. Ressler, Kaplan and Rosenthal and other of our personnel is generally made at market rates, which totaled $253,920 during 2016 for Mr. Ressler, and $467,031 for each of Messrs. Kaplan and Rosenthal during 2016 with respect to their shared aircraft.

Co-Investments and Other Investment Transactions

Our senior professionals have the opportunity to invest their own capital alongside certain of our funds' limited partners in a particular fund. Co-investments are investments in a fund on the same terms and conditions as fund investors, except that generally these co-investments are not subject to management fees or carried interest. These investment opportunities are available to our senior professionals and for other professionals associated with the activities of such fund whom we have determined to have a status that reasonably permits us to offer them these types of investments in compliance with applicable laws. See "Item 1. Business—Capital Invested In and Through Our Funds."

During the year ended December 31, 2016, the following executive officers and directors (and their family members and estate planning vehicles) invested their own capital in and alongside our funds: Mr. Arougheti invested an aggregate of $2,023,988; Mr. Kaplan invested an aggregate of $1,140,227; Mr. Kissick invested an aggregate of $4,374,696; Mr. Ressler invested an aggregate of $10,208,553; Mr. Rosenthal invested an aggregate of $1,143,373 and Mr. Weiner invested an aggregate of $358,342, respectively. During the year ended December 31, 2016, the following executive officers and directors (and their family members and estate planning vehicles) received distributions from our funds as a result of their invested capital: Mr. Arougheti received $1,791,385; Mr. Kaplan received $2,585,774; Mr. Kissick received $7,853,644; Mr. Ressler received $19,146,501; Mr. Rosenthal received $2,569,953; and Mr. Weiner received $1,045,134, respectively.

Termination Agreement – Capital Commitments

On October 27, 2015, we announced a mutual agreement to terminate the merger agreement entered into with KACALP. As part of the termination agreement, we and certain of our principals and related parties have agreed to invest up to an aggregate of $150.0 million of capital in certain funds managed by KACALP and its subsidiaries. Of the total $150 million capital commitment by the Ares Investors, Messrs. Ressler and Kissick agreed to commit a total of $60 million and $15 million, respectively, with the balance committed by the Ares Parties. The Ares Investors expect to obtain terms as favorable as those provided to other similarly sized investors making such investments or commitments in the aggregate, and will each invest in such funds on the same terms.

Securities of Publicly Traded Vehicles

From time to time, our managed funds, senior professionals and directors may have the opportunity to purchase securities of our publicly traded vehicles in connection with certain offerings made by such entities. During the year ended December 31, 2016, none of the entities, executive officers and directors (and their family members and estate planning vehicles) purchased the securities in these offerings. From time to time our executive officers and directors may also purchase the securities of our publicly traded funds in market transactions.

Statement of Policy Regarding Transactions with Related Persons

The audit committee of the board of directors of our general partner is charged with reviewing for approval or ratification all transactions with "related persons" (as defined in paragraph (a) of Item 404 Regulation S-K) that are brought to the audit committee's attention.

Indemnification

Our partnership agreement provides that in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts on an after tax basis: our general partner, any departing general partner, any person who is or was a tax matters partner, member, manager, officer or director of our general partner or any departing general partner, any member, manager officer or director of our general partner or any departing general partner who is or was serving at the request of our general partner or any departing general partner as a director, officer, manager, employee, trustee, fiduciary, partner, tax matters partner, member, representative, agent or advisor of another person, any person who controls our general partner or any departing general partner, any person who is named in our Form S-1 filed with the SEC on April 22, 2014 as being or about to become a director or of our general partner and any person our general partner in its sole discretion designates as an "indemnitee" for purposes of our partnership agreement. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that these persons acted in bad faith or with criminal intent. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. The general partner is not personally liable for, and does not have any obligation to contribute or loan funds or assets to us to enable it to effectuate, indemnification. We purchased insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

Item 14. Principal Accountant Fees and Services

The following table sets forth the aggregate fees for professional service provided by our independent registered public accounting firm, Ernst & Young LLP, for the years ended December 31, 2016 and 2015:

	For the Year Ended December 31,			
	2016		2015(5)	
	The Company	Ares Funds	The Company	Ares Funds
	(Dollars in thousands)			
Audit fees(1)	$ 3,363	$ 6,739	$ 4,773	$ 5,425
Audit-related fees(2)	—	2,704	1,196	2,679
Tax fees(3)	70	221	169	270
All other fees(4)	—	—	—	—
Total	$ 3,433	$ 9,664	$ 6,138	$ 8,374

(1) Audit fees consisted of fees for services related to the annual audit of our consolidated financial statements, reviews of our interim consolidated financial statements on Form 10-Q, SEC registration statements, accounting consultations and services that are normally provided in connection with statutory and regulatory filings and engagements.

(2) Audit-related fees consisted of fees related to financial due diligence services in connection with internal controls readiness assessment, attestation services and agreed-upon procedures, as well as acquisitions of portfolio companies for investment by funds managed by the Company and the Ares Funds.

(3) Tax fees consisted of fees related to tax compliance and tax advisory services.

(4) All other fees consisted of advisory services related to regulatory matters.

(5) Certain prior year amounts have been reclassified to other lines within the table to conform to the current year presentation.

In accordance with our audit committee charter, the audit committee is required to approve, in advance, all audit and non-audit services to be provided by our independent registered public accounting firm, Ernst & Young LLP. All services reported in the Audit, Audit-related, Tax and All other categories above were approved by the audit committee. Our audit committee charter is available on our website at www.aresmgmt.com under the "Investor Resources—Corporate Governance" section.

PART IV.

Item 15. Exhibits, Financial Statement Schedules

(a) Documents Filed with Report:

Report of Independent Registered Public Accounting Firm
Consolidated Statements of Financial Condition as of December 31, 2016 and 2015
Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014
Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015, and 2014
Consolidated Statements of Changes in Equity for the years ended December 31, 2016, 2015 and 2014
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014
Notes to Consolidated Financial Statements

(b) Exhibits.

The following is a list of all exhibits filed or furnished as part of this report.

Exhibit No.	Description
3.1	Certificate of Limited Partnership of Ares Management, L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-36429, filed with the SEC on February 29, 2016).
3.2	Second Amended and Restated Limited Partnership Agreement of Ares Management, L.P. dated June 8, 2016 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on June 9, 2016).
4.1	Indenture dated as of October 8, 2014 among Ares Finance Co. LLC, Ares Management, L.P., Ares Holdings Inc., Ares Domestic Holdings Inc., Ares Real Estate Holdings LLC, Ares Holdings L.P., Ares Domestic Holdings L.P., Ares Investments L.P., Ares Real Estate Holdings L.P., Ares Management LLC, Ares Investments Holdings LLC and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on October 8, 2014).
4.2	First Supplemental Indenture dated as of October 8, 2014 among Ares Finance Co. LLC, Ares Management, L.P., Ares Holdings Inc., Ares Domestic Holdings Inc., Ares Real Estate Holdings LLC, Ares Holdings L.P., Ares Domestic Holdings L.P., Ares Investments L.P., Ares Real Estate Holdings L.P., Ares Management LLC, Ares Investments Holdings LLC and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on October 8, 2014).
4.3	First Amendment, dated as of August 7, 2015, to the First Supplemental Indenture, dated October 8, 2014, to the indenture, dated October 8, 2014, among Ares Finance Co. LLC, the guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on August 7, 2015)..
4.4	Form of 4.000% Senior Note due 2024 (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on October 8, 2014).
4.5	Form of 7.00% Series A Preferred Unit Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on June 9, 2016).
10.1	Amended and Restated Limited Partnership Agreement of Ares Holdings L.P., dated June 8, 2016 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on June 9, 2016).
10.2	Second Amended and Restated Limited Partnership Agreement of Ares Offshore Holdings L.P. dated June 8, 2016 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on June 9, 2016).
10.3	Amended and Restated Limited Partnership Agreement of Ares Investments L.P. dated June 8, 2016 (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on June 9, 2016).
10.4	Form of Investor Rights Agreement (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1/A (File No. 333-194919) filed with the SEC on April 16, 2014).

Exhibit No.		Description
10.5		2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on May 7, 2014).
10.6		Amended and Restated Exchange Agreement, dated as of July 1, 2016 (incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36429) filed with the SEC on August 9, 2016).
10.7		Tax Receivable Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on May 7, 2014).
10.8		Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1/A (File No. 333-194919) filed with the SEC on April 28, 2014).
10.9		Amendment No. 1, dated as of July 15, 2014, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36429) filed with the SEC on November 12, 2014).
10.10		Amendment No. 2, dated as of September 24, 2014, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36429) filed with the SEC on November 12, 2014).
10.11		Amendment No. 3, dated as of July 23, 2015, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on July 28, 2015).
10.12		Amendment No. 4, dated as of August 5, 2015, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on August 7, 2015).
10.13		Amendment No. 5, dated as of December 16, 2015, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on December 21, 2015).
10.14		Amendment No. 6, dated as of May 23, 2016, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on May 26, 2016).
10.15	*	Amendment No. 7, dated as of February 24, 2017, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings L.P., Ares Investments L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A.
10.16		Restated Investment Advisory and Management Agreement between Ares Capital Corporation and Ares Capital Management LLC, dated as of June 6, 2011 (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1/A (File No. 333-194919) filed with the SEC on April 16, 2014).
10.17		Form of Indemnification Agreement (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (File No. 333-194919) filed with the SEC on April 22, 2014).
10.18	*	Form of Restricted Unit Agreement under the 2014 Equity Incentive Plan.
10.19		Form of Option Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on May 7, 2014).
10.20		Form of Phantom Unit Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on May 7, 2014).
10.21		Form of ARCC Incentive Fee Award (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1/A (File No. 333-194919) filed with the SEC on April 11, 2014).

Exhibit No.	Description
10.22	Form of Amended and Restated Limited Partnership Agreement of Carry Vehicles (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-36429, filed with the SEC on February 29, 2016).
10.23	Form of Supplemental Award Agreement for Carried Interest (incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-36429, filed with the SEC on February 29, 2016).
10.24 *	Form of Annual Incentive Fee Award Letter.
10.25 *	Form of Deferred Restricted Unit Agreement.
10.26	Offer Letter for Michael R. McFerran, dated March 10, 2015 (incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K (File No. 001-36429) filed with the SEC on March 20, 2015).
10.27	Termination Agreement, dated October 27, 2015 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on October 27, 2015).
10.28	Transaction Support and Fee Waiver Agreement, dated May 23, 2016, between Ares Capital Corporation and Ares Capital Management LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on May 26, 2016).
21.1*	Subsidiaries of Ares Management, L.P.
23.1*	Consent of Ernst and Young LLP.
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
99.1	Second Amended and Restated Agreement of Limited Liability Company of the General Partner of the Registrant (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on June 9, 2016).
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

Item 16. Summary of 10-K

None.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, *thereunto* duly authorized.

ARES MANAGEMENT, L.P.

	By:	Ares Management GP LLC, its general partner
Dated: February 27, 2017	By:	/s/ Antony P. Ressler
		Antony P. Ressler
		Chairman, Co-Founder & Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By:	/s/ Antony P. Ressler		
	Name:	Antony P. Ressler	Dated: February 27, 2017
	Title:	Chairman, Co-Founder & Chief Executive Officer (Principal Executive Officer)	
By:	/s/ Michael R. McFerran		
	Name:	Michael R. McFerran	Dated: February 27, 2017
	Title:	Executive Vice President & Chief Financial Officer (Principal Financial and Accounting Officer)	
By:	/s/ Michael J Arougheti		
	Name:	Michael J Arougheti	Dated: February 27, 2017
	Title:	Director, Co-Founder & President	
By:	/s/ David B. Kaplan		
	Name:	David B. Kaplan	Dated: February 27, 2017
	Title:	Director, Co-Founder & Partner	
By:	/s/ John H. Kissick		
	Name:	John H. Kissick	Dated: February 27, 2017
	Title:	Director, Co-Founder & Partner	
By:	/s/ Bennett Rosenthal		
	Name:	Bennett Rosenthal	Dated: February 27, 2017
	Title:	Director, Co-Founder & Partner	
By:	/s/ Paul G. Joubert		
	Name:	Paul G. Joubert	Dated: February 27, 2017
	Title:	Director	
By:	/s/ Michael Lynton		
	Name:	Michael Lynton	Dated: February 27, 2017
	Title:	Director	
By:	/s/ Judy D. Olian		
	Name:	Dr. Judy D. Olian	Dated: February 27, 2017
	Title:	Director	

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Unitholders of Ares Management, L.P.

We have audited the accompanying consolidated statements of financial condition of Ares Management, L.P. (successor to Ares Holdings Inc. and Ares Investments LLC, which directly or indirectly hold controlling interests in Ares Management LLC and Ares Investments Holdings LLC, as well as their wholly owned subsidiaries) (collectively, the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
February 27, 2017

Ares Management, L.P.
Consolidated Statements of Financial Condition
(Amounts in Thousands, Except Unit Data)

	As of December 31,	
	2016	2015
Assets		
Cash and cash equivalents	$ 342,861	$ 121,483
Investments (including fair value investment of 448,336 and $446,779 at 2016 and 2015, respectively)	468,471	468,287
Performance fees receivable	759,099	534,661
Due from affiliates	162,936	144,982
Deferred tax asset, net	6,731	—
Other assets	65,565	62,975
Intangible assets, net	58,315	84,971
Goodwill	143,724	144,067
Assets of Consolidated Funds:		
Cash and cash equivalents	455,280	159,507
Investments, at fair value	3,330,203	2,559,783
Due from affiliates	3,592	12,923
Dividends and interest receivable	8,479	13,005
Receivable for securities sold	21,955	13,416
Other assets	2,501	1,348
Total assets	**$ 5,829,712**	**$ 4,321,408**
Liabilities		
Accounts payable, accrued expenses and other liabilities	$ 83,336	$ 102,626
Accrued compensation	131,736	125,032
Due to affiliates	17,564	12,901
Performance fee compensation payable	598,050	401,715
Debt obligations	305,784	389,120
Put option liability	—	20,000
Deferred tax liability, net	—	21,288
Liabilities of Consolidated Funds:		
Accounts payable, accrued expenses and other liabilities	21,056	18,951
Payable for securities purchased	208,742	51,778
CLO loan obligations, at fair value	3,031,112	2,174,352
Fund borrowings	55,070	11,734
Total liabilities	**4,452,450**	**3,329,497**
Commitments and contingencies		
Redeemable interest in Ares Operating Group entities	**—**	**23,505**
Preferred equity (12,400,000 units issued and outstanding at December 31, 2016)	**298,761**	**—**
Non-controlling interest in Consolidated Funds:		
Non-controlling interest in Consolidated Funds	338,035	320,238
Equity appropriated for Consolidated Funds	—	3,367
Non-controlling interest in Consolidated Funds	**338,035**	**323,605**
Non-controlling interest in Ares Operating Group entities	**447,615**	**397,883**
Controlling interest in Ares Management, L.P. :		
Partners' Capital (80,814,732 units and 80,679,600 units, issued and outstanding at December 31, 2016 and 2015, respectively)	301,790	251,537
Accumulated other comprehensive loss	(8,939)	(4,619)
Total controlling interest in Ares Management, L.P	**292,851**	**246,918**
Total equity	**1,377,262**	**968,406**
Total liabilities, redeemable interest, non-controlling interests and equity	**$ 5,829,712**	**$ 4,321,408**

See accompanying notes to consolidated financial statements.

Ares Management, L.P.

Consolidated Statements of Operations

(Amounts in Thousands, Except Unit Data)

	For the Years Ended December 31,		
	2016	2015	2014
Revenues			
Management fees (includes ARCC Part I Fees of $121,181, $121,491 and $118,537 for the years ended December 31, 2016, 2015 and 2014, respectively)	$ 642,068	$ 634,399	$ 486,477
Performance fees	517,852	150,615	91,412
Administrative and other fees	39,285	29,428	26,000
Total revenues	**1,199,205**	**814,442**	**603,889**
Expenses			
Compensation and benefits	447,725	414,454	456,372
Performance fee compensation	387,846	111,683	170,028
General, administrative and other expenses	159,776	224,798	166,839
Expenses of the Consolidated Funds	21,073	18,105	66,800
Total expenses	**1,016,420**	**769,040**	**860,039**
Other income (expense)			
Net interest and investment income (expense) (includes interest expense of $17,981, $18,949 and $8,617 for the years ended December 31, 2016, 2015 and 2014, respectively)	5,800	(4,904)	(1,373)
Debt extinguishment expense	—	(11,641)	—
Other income (expense), net	35,650	21,680	(2,422)
Net realized and unrealized gain on investments	28,251	17,009	32,128
Net interest and investment income of the Consolidated Funds (includes interest expense of $91,452, $78,819 and $666,373 for the years ended December 31, 2016, 2015 and 2014, respectively)	47,491	38,554	271,462
Net realized and unrealized gain (loss) on investments of Consolidated Funds	(2,057)	(24,616)	513,270
Total other income	**115,135**	**36,082**	**813,065**
Income before taxes	297,920	81,484	556,915
Income tax expense	11,019	19,064	11,253
Net income	**286,901**	**62,420**	**545,662**
Less: Net income attributable to redeemable interests in Consolidated Funds	**—**	**—**	**2,565**
Less: Net income (loss) attributable to non-controlling interests in Consolidated Funds	**3,386**	**(5,686)**	**417,793**
Less: Net income attributable to redeemable interests in Ares Operating Group entities	**456**	**338**	**731**
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	**171,251**	**48,390**	**89,585**
Net income attributable to Ares Management, L.P.	**111,808**	**19,378**	**34,988**
Less: Preferred equity distributions paid	**12,176**	**—**	**—**
Net income attributable to Ares Management, L.P. common unitholders	**$ 99,632**	**$ 19,378**	**$ 34,988**
Net income attributable to Ares Management, L.P. per common unit:			
Basic	**$ 1.22**	**$ 0.23**	**$ 0.43**
Diluted	**$ 1.20**	**$ 0.23**	**$ 0.43**
Weighted-average common units			
Basic	**80,749,671**	**80,673,360**	**80,358,036**
Diluted	**82,937,030**	**80,673,360**	**80,358,036**
Distribution declared and paid per common unit	**$ 0.83**	**$ 0.88**	**$ 0.42**

Substantially all revenue is earned from affiliated funds of the Company. See accompanying notes to consolidated financial statements.

Ares Management, L.P.
Consolidated Statements of Comprehensive Income
(Amounts in Thousands)

	For the Years Ended December 31,		
	2016	2015	2014
Net income	$ 286,901	$ 62,420	$ 545,662
Other comprehensive income:			
Foreign currency translation adjustments	(15,754)	(8,638)	(36,489)
Total comprehensive income	271,147	53,782	509,173
Less: Comprehensive income attributable to redeemable interests in Consolidated Funds	—	—	2,565
Less: Comprehensive income (loss) attributable to non-controlling interests in Consolidated Funds	3,336	(5,834)	383,323
Less: Comprehensive income attributable to redeemable interests in Ares Operating Group entities	409	302	724
Less: Comprehensive income attributable to non-controlling interests in Ares Operating Group entities	159,914	43,169	88,959
Comprehensive income attributable to Ares Management, L.P.	**$ 107,488**	**$ 16,145**	**$ 33,602**

See accompanying notes to consolidated financial statements.

Ares Management, L.P.
Consolidated Statements of Changes in Equity
(Amounts in Thousands)

				Predecessor						Consolidated Funds		
	Preferred Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Members' Equity	Common Stock (A shares)	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling interest in Ares Operating Group Entities	Equity Appropriated for Consolidated Funds	Non-Controlling Interest in Consolidated Funds	Total Equity
Balance at December 31, 2013	**$ —**	**$ —**	**$ —**	**$ 321,891**	**$ —**	**$ 338,375**	**$ (135,573)**	**$ 985**	**$ 167,731**	**$ 155,261**	**$ 5,691,874**	**$ 6,540,544**
Relinquished with deconsolidation of funds	—	—	—	—	—	—	—	—	—	—	(354,737)	(354,737)
Contributions	—	—	—	—	—	—	—	—	—	—	126,265	126,265
Distributions	—	—	—	(132,286)	—	(42,622)	—	—	(50,442)	—	(741,905)	(967,255)
Net income (loss)	—	—	—	28,064	—	—	(21,966)	—	3,247	(50,413)	287,942	246,874
Currency translation adjustment	—	—	—	—	—	—	—	1,255	404	(682)	(412)	565
Equity compensation	—	—	—	(368)	—	39,078	—	—	12,479	—	—	51,189
Tandem award compensation adjustment	—	—	—	1,570	—	5,371	(983)	—	1,242	—	—	7,200
Net effect of Reorganization, including contributions of Ares Operating Group units for 69,078,234 common units	—	204,877	—	(218,871)	—	(340,202)	158,522	(2,240)	197,914	—	—	—
Balance post-Reorganization(1)	**—**	**204,877**	**—**	**—**	**—**	**—**	**—**	**—**	**332,575**	**104,166**	**5,009,027**	**5,650,645**
Issuance of 11,589,430 common units, net of underwriters' discount	—	209,189	—	—	—	—	—	—	—	—	—	209,189
Issuance costs	—	(10,910)	—	—	—	—	—	—	(17,581)	—	—	(28,491)
Allocation of contributions in excess of the carrying value of the net assets (dilution)	—	(129,446)	—	—	—	—	—	—	128,536	—	—	(910)
Changes in ownership interests	—	1,511	—	—	—	—	—	—	(611)	—	—	900
Deferred tax assets (liabilities) arising from allocation of contributions and Partners' capital	—	1,589	—	—	—	—	—	—	(16)	—	—	1,573
Contributions	—	—	—	—	—	—	—	—	—	—	182,522	182,522
Distributions	—	(33,881)	—	—	—	—	—	—	(68,872)	—	(491,800)	(594,553)
Net income (loss)	—	34,988	—	—	—	—	—	—	80,240	(139,160)	319,424	295,492
Currency translation adjustment	—	—	(1,386)	—	—	—	—	—	(2,285)	(2,932)	(30,444)	(37,047)
Equity compensation	—	7,108	—	—	—	—	—	—	11,507	—	—	18,615
Balance at December 31, 2014	**—**	**285,025**	**(1,386)**	**—**	**—**	**—**	**—**	**—**	**463,493**	**(37,926)**	**4,988,729**	**5,697,935**
Cumulative effect of accounting change due to the adoption of ASU 2015-02	—	—	—	—	—	—	—	—	—	25,352	(4,651,189)	(4,625,837)
Relinquished with deconsolidation of funds	—	—	—	—	—	—	—	—	—	—	1,652	1,652
Changes in ownership interests	—	7,280	—	—	—	—	—	—	(7,362)	—	—	(82)
Deferred tax liabilities arising from allocation of contributions and Partners' capital	—	(735)	—	—	—	—	—	—	(97)	—	—	(832)
Contributions	—	—	—	—	—	—	—	—	85	—	88,567	88,652
Issuance of AOG units in connection with acquisitions	—	—	—						25,468	—	—	25,468
Distributions	—	(70,999)	—	—	—	—	—	—	(145,763)	—	(85,746)	(302,508)
Net income (loss)	—	19,378	—	—	—	—	—	—	48,390	16,089	(21,775)	62,082
Currency translation adjustment	—	—	(3,233)	—	—	—	—	—	(5,221)	(148)	—	(8,602)
Equity compensation	—	11,588	—	—	—	—	—	—	18,890	—	—	30,478
Balance at December 31, 2015	**—**	**251,537**	**(4,619)**	**—**	**—**	**—**	**—**	**—**	**397,883**	**3,367**	**320,238**	**968,406**
Cumulative effect of accounting change due to the adoption of ASU 2014-13	—	—	—	—	—	—	—	—	—	(3,367)	—	(3,367)
Issuance of preferred equity	298,761	—	—	—	—	—	—	—	—	—	—	298,761
Changes in ownership interests	—	1,446	—	—	—	—	—	—	(2,327)	—	—	(881)
Reallocation of equity due to redemption of ownership interest	—	1,276	—	—	—	—	—	—	2,061	—	—	3,337
Deferred tax assets effects arising from allocation of Partners' capital	—	724	—	—	—	—	—	—	3	—	—	727
Contributions	—	—	—	—	—	—	—	—	—	—	132,932	132,932
Distributions	(12,176)	(67,041)	—	—	—	—	—	—	(132,961)	—	(118,471)	(330,649)
Net income	12,176	99,632	—	—	—	—	—	—	171,251	—	3,386	286,445
Currency translation adjustment	—	—	(4,320)	—	—	—	—	—	(11,337)	—	(50)	(15,707)
Equity compensation	—	14,216	—	—	—	—	—	—	23,042	—	—	37,258
Balance at December 31, 2016	**$ 298,761**	**$ 301,790**	**$ (8,939)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 447,615**	**$ —**	**$ 338,035**	**$ 1,377,262**

Prior to the Reorganization on May 1, 2014, financial statements represent the combined and consolidated results of AHI, AI and consolidated subsidiaries, referred to collectively as the Predecessor. Subsequent to the Reorganization, these financial statements represent the results of Ares Management, L.P. See Note 1 for further information.

See accompanying notes to consolidated financial statements.

Ares Management, L.P.
Consolidated Statements of Cash Flows
(Amounts in Thousands)

	For the Years Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	**$ 286,901**	**$ 62,420**	**$ 545,662**
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity compensation expense	39,065	32,244	83,230
Depreciation and amortization	37,455	55,275	36,129
Debt extinguishment expenses	—	11,641	—
Net realized and unrealized (gain) loss on investments	(28,251)	(17,009)	(32,128)
Contingent consideration	(17,674)	(21,064)	—
Other non-cash amounts	—	10	3,143
Investments purchased	(120,413)	(150,231)	(57,164)
Proceeds from sale of investments	145,439	59,979	19,365
Allocable to non-controlling interests in Consolidated Funds:			
Receipt of non-cash interest income and dividends from investments	(7,720)	(8,288)	(57,954)
Net realized and unrealized (gain) loss on investments	2,057	24,616	(513,270)
Amortization on debt and investments	(4,566)	(1,197)	(19,681)
Investments purchased	(2,263,891)	(1,643,079)	(9,739,451)
Proceeds from sale or pay down of investments	1,498,398	1,049,765	10,943,758
Cash flows due to changes in operating assets and liabilities:			
Restricted cash	—	32,500	(19,390)
Net performance fees receivable	(28,306)	20,611	38,079
Due to/from affiliates	(26,000)	8,017	(53,351)
Other assets	(162)	(268)	11,557
Accrued compensation and benefits	9,181	(6,028)	(4,870)
Accounts payable, accrued expenses and other liabilities	5,328	(37,194)	34,027
Deferred taxes	(28,463)	1,427	(1,141)
Allocable to non-controlling interest in Consolidated Funds:			
Change in cash and cash equivalents held at Consolidated Funds	(295,769)	1,154,889	338,590
Cash relinquished with deconsolidation of Consolidated Funds	—	(870,390)	(40,625)
Change in other assets and receivables held at Consolidated Funds	3,872	(1,444)	357,748
Change in other liabilities and payables held at Consolidated Funds	167,864	(285,188)	(339,675)
Net cash (used in) provided by operating activities	**(625,655)**	**(527,986)**	**1,532,588**
Cash flows from investing activities:			
Acquisitions, net of cash acquired	—	(64,437)	(60,000)
Purchase of furniture, equipment and leasehold improvements, net	(11,913)	(10,676)	(16,664)
Net cash used in investing activities	**(11,913)**	**(75,113)**	**(76,664)**
Cash flows from financing activities:			
Proceeds from issuance of common units in IPO	—	—	209,189
Issuance costs	—	—	(28,615)
Proceeds from debt issuance, net of offering costs	26,036	316,449	245,670
Proceeds from credit facility	147,000	185,000	223,918
Proceeds from term notes	—	35,250	—
Repayments of credit facility	(257,000)	(75,000)	(345,168)
Repayments of term notes	—	(328,250)	(11,000)
Repayments of promissory notes	—	—	(20,869)
Proceeds from the issuance of preferred equity, net of issuance costs	298,761	—	—
Distributions	(200,663)	(217,760)	(329,893)
Preferred equity distributions	(12,176)	—	—
Redemption of redeemable interest and put option liability	(40,000)	—	—

Other financing activities	(701)	85	—
Allocable to non-controlling interest in Consolidated Funds:			
Contributions from non-controlling interests in Consolidated Funds	132,932	88,567	339,195
Distributions to non-controlling interests in Consolidated Funds	(118,471)	(85,746)	(1,322,998)
Borrowings under loan obligations by Consolidated Funds	1,621,514	763,811	3,782,201
Repayments under loan obligations by Consolidated Funds	(716,468)	(100,869)	(4,105,736)
Net cash provided by (used in) in financing activities	**880,764**	**581,537**	**(1,364,106)**
Effect of exchange rate changes	(21,818)	(5,813)	(32,762)
Net change in cash and cash equivalents	221,378	(27,375)	59,056
Cash and cash equivalents, beginning of period	121,483	148,858	89,802
Cash and cash equivalents, end of period	**$ 342,861**	**$ 121,483**	**$ 148,858**
Supplemental information:			
Ares Management, L.P. and consolidated subsidiaries:			
Cash paid during the period for interest	$ 15,390	$ 15,792	$ 3,931
Cash paid during the period for income taxes	$ 26,402	$ 13,587	$ 19,821
Consolidated Funds:			
Cash paid during the period for interest	$ 53,704	$ 43,894	$ 216,144
Cash paid during the period for income taxes	$ 378	$ 1,057	$ 16,750
Non-cash increase in assets and liabilities:			
Issuance of AOG Units to non-controlling interest holders in connection with acquisitions	$ —	$ 25,468	$ —

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

Ares Management, L.P. ("the Company"), a Delaware limited partnership formed on November 15, 2013, is a leading global alternative asset management firm that operates three distinct but complementary investment groups: the Credit Group, the Private Equity Group and the Real Estate Group. Information about segments should be read together with Note 18, "Segment Reporting." Subsidiaries of the Company serve as the general partners and/or investment managers to various investment funds and managed accounts within each investment group (the "Ares Funds"), which are generally organized as pass-through entities for income tax purposes. Such subsidiaries provide investment advisory services to the Ares Funds in exchange for management fees. Ares is managed and operated by its general partner, Ares Management GP LLC. Unless the context requires otherwise, references to "Ares" or the "Company" refer to Ares Management, L.P. together with its subsidiaries.

The accompanying financial statements include (1) the results of the Company subsequent to the Reorganization (as described below) and (2) prior to the Reorganization, the consolidated results of two affiliated entities, Ares Holdings Inc. ("AHI") and Ares Investments LLC ("AI"), which directly or indirectly held controlling interests in Ares Management LLC ("AM LLC") and Ares Investments Holdings LLC ("AIH LLC"), as well as their wholly owned subsidiaries (collectively, the "Predecessor"). Prior to the Reorganization, Ares Partners Management Company LLC ("APMC") directed the operations of AHI and AI through its controlling ownership interest of approximately 50.1% and 70.3% , respectively, in each entity. The remaining ownership of AHI and AI was shared among various minority, non-controlling strategic investment partners.

In addition, certain Ares-affiliated funds, related co-investment entities and collateralized loan obligations ("CLOs") (collectively, the "Consolidated Funds") managed by AM LLC and its wholly owned subsidiaries have been consolidated in the accompanying financial statements for the periods presented as described in Note 2, "Summary of Significant Accounting Policies." Including the results of the Consolidated Funds significantly increases the reported amounts of the assets, liabilities, revenues, expenses and cash flows in the accompanying consolidated financial statements; however, the Consolidated Funds results included herein have no direct effect on the net income attributable to controlling interests or on total controlling equity. Instead, economic ownership interests of the investors in the Consolidated Funds are reflected as non-controlling interests in Consolidated Funds and as equity appropriated for Consolidated Funds in the accompanying consolidated financial statements. Further, cash flows allocable to non-controlling interest in Consolidated Funds are specifically identifiable in the Consolidated Statements of Cash Flows.

Reorganization

Pursuant to a reorganization effectuated in connection with the initial public offering of the Company's common units ("IPO"), on May 1, 2014 the Company became a holding partnership, and the Company's sole assets became equity interests in AHI, Ares Domestic Holdings, Inc. ("Domestic Holdings"), Ares Offshore Holdings, Ltd., AI and Ares Real Estate Holdings LLC. The Company, either directly or through its direct subsidiaries, is the general partner of each of the Ares Operating Group (as defined below) entities, and operates and controls all of the businesses and affairs of the Ares Operating Group.

Additionally, on May 1, 2014, in connection with the IPO, Ares Holdings LLC was converted into a limited partnership, Ares Holdings L.P. ("Ares Holdings"), and AI was converted into a limited partnership, Ares Investments L.P. ("Ares Investments"). In addition, the Company formed Ares Domestic Holdings L.P. ("Ares Domestic"), Ares Offshore Holdings L.P. ("Ares Offshore") and Ares Real Estate Holdings L.P. ("Ares Real Estate").

In exchange for its interest in the Company, prior to the consummation of the IPO, Ares Owners Holdings L.P. transferred to the Company its interests in each of AHI, Domestic Holdings, Ares Offshore Holdings, Ltd., Ares Real Estate Holdings LLC and a portion of its interest in Ares Investments. Similarly, Abu Dhabi Investment Authority ("ADIA") contributed its direct interest in AHI to its affiliate, AREC Holdings Ltd., a Cayman Islands exempted company ("AREC"). AREC then transferred to the Company its interest in each of AHI, Ares Domestic, Ares Offshore, Ares Investments and Ares Real Estate. As a result of the foregoing, Ares Owners Holdings L.P. held 34,540,079 common units in the Company and AREC held 34,538,155 common units in the Company. Following the foregoing exchanges, Ares Owners Holding L.P. retained a 59.21% direct interest, or 118,421,766 partnership units, in each of the Ares Operating Group entities (collectively, the "Ares Operating Group Units" or "AOG Units"). AREC has no direct interest in the Ares Operating Group entities. An affiliate of Alleghany Corporation ("Alleghany") retained a 6.25% direct interest, or 12,500,000 AOG Units, in each of the Ares Operating Group entities.

These actions are referred to herein collectively as the "Reorganization".

Initial Public Offering

On May 7, 2014, the Company issued 11,363,636 common units in the IPO at a price of $19.00 per common unit. In addition, on June 4, 2014, the Company issued an additional 225,794 common units at $19.00 per common unit pursuant to the partial exercise by the underwriters of their overallotment option. Total proceeds from the IPO, including from the partial exercise by the underwriters of their overallotment option, net of underwriting discounts, were $209.2 million . The holders of AOG Units, subject to any applicable transfer restrictions and other provisions, generally may up to four times each year exchange their AOG Units for common units on a one-for-one basis. A holder of Ares Operating Group Units must exchange one Ares Operating Group Unit in each of the three Ares Operating Group entities to effect an exchange for a common unit of the Company.

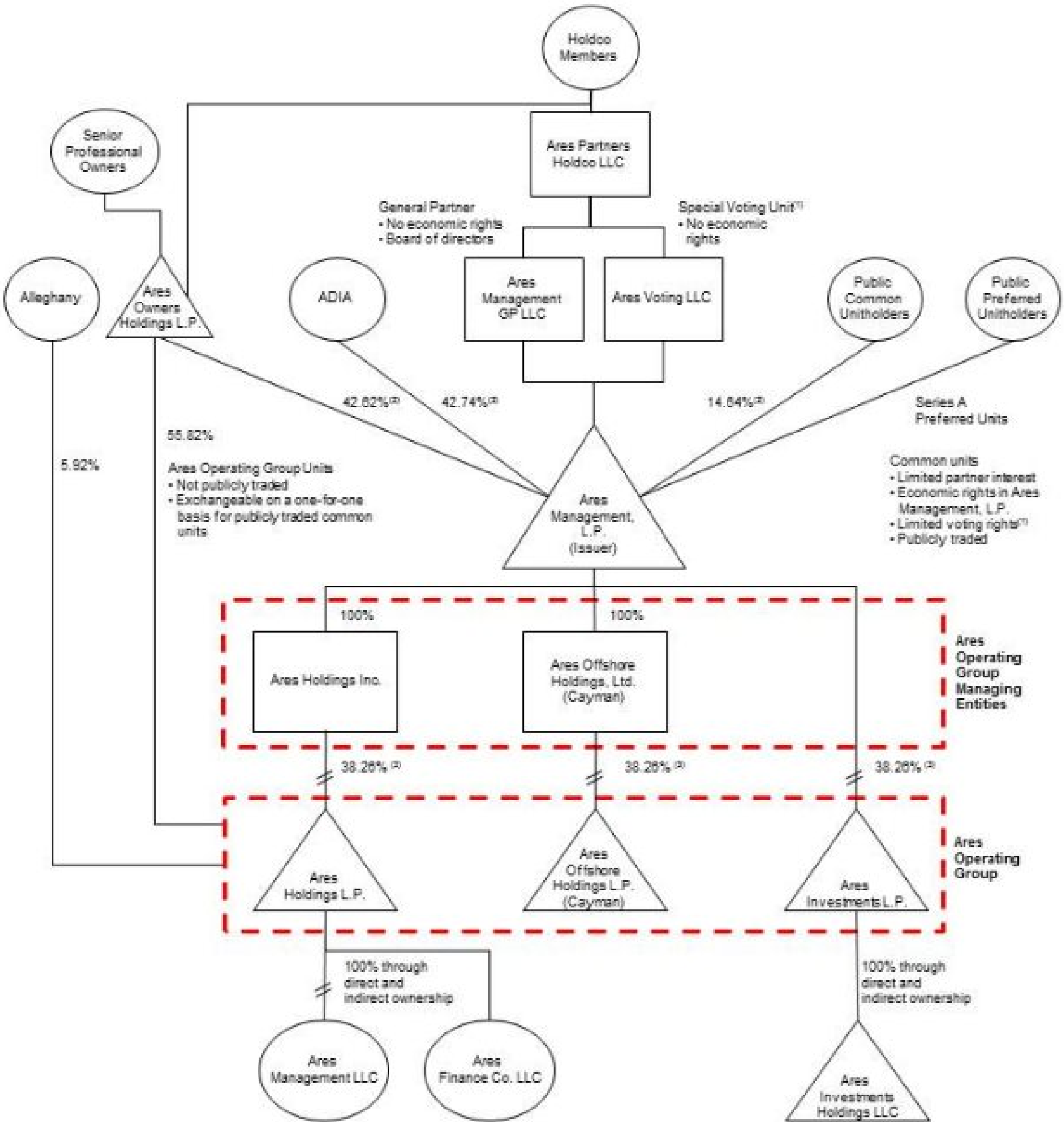
The Company conducts all of its material business activities through the Ares Operating Group. Following the IPO, the Company consolidates the financial results of the Ares Operating Group entities, their consolidated subsidiaries and certain Consolidated Funds.

Change in Company Structure

In July 2016, the Company simplified its existing structure and Domestic Holdings was merged with and into AHI, Ares Domestic was merged with and into Ares Holdings, and Ares Real Estate was merged with and into Ares Investments. Ares Holdings, Ares Offshore, and Ares Investments are the surviving entities and are collectively referred to as the “Ares Operating Group.” See below for the updated structure chart.

Table of Contents

As of December 31, 2016 , the structure and ownership interests of the Company are reflected below:



Non-Controlling Interests in Ares Operating Group Entities

Following the Reorganization, non-controlling interests in Ares Operating Group entities represent a component of equity and net income attributable to the owners of AOG Units that are not held directly or indirectly by Ares Management, L.P. These interests are adjusted for contributions to and distributions from Ares Operating Group entities during the reporting period and are allocated income from the Ares Operating Group entities based on their historical ownership percentage for the proportional number of days in the reporting period.

For the periods presented prior to the Reorganization, non-controlling interests in Ares Operating Group entities represent equity interests and net income attributable to various minority non-control oriented strategic investment partners, which are the Predecessor's historical results. The net income attributable to controlling interests in the Predecessor, from January 1, 2014 to April 30, 2014, is presented together with net income attributable to non-controlling interests in Ares Operating Group entities within the Consolidated Statements of Operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements are prepared in accordance with the generally accepted accounting principles in the United States ("GAAP"). The Company's Consolidated Funds are investment companies under GAAP based on the following characteristics: the Consolidated Funds obtain funds from one or more investors and provide investment management services and the Consolidated Funds' business purpose and substantive activities are investing funds for returns from capital appreciation and/or investment income. Therefore, investments of Consolidated Funds are recorded at fair value and the unrealized appreciation (depreciation) in an investment's fair value is recognized on a current basis in the Consolidated Statements of Operations. Additionally, the Consolidated Funds do not consolidate their majority-owned and controlled investments in portfolio companies. In the preparation of these consolidated financial statements, the Company has retained the investment company accounting for the Consolidated Funds under GAAP.

All of the investments held and CLO loan obligations issued by the Consolidated Funds are presented at their estimated fair values in the Company's Consolidated Statements of Financial Condition. Net income attributable to the investors in the CLOs is included in net income (loss) attributable to non-controlling interests in Consolidated Funds in the Consolidated Statements of Operations and prior to January 1, 2016 as equity appropriated for Consolidated Funds in the Consolidated Statements of Financial Condition. See equity appropriated for consolidated funds for more information.

The Company has reclassified certain prior period amounts to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and investment income (loss) during the reporting periods. Assumptions and estimates regarding the valuation of investments involve a high degree of judgment and complexity and may have a significant impact on performance fees. Actual results could differ from these estimates and such differences could be material to the consolidated financial statements.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Principles of Consolidation

As of January 1, 2015, the Company adopted the Financial Accounting Standards Board (“FASB") Accounting Standards Update No. ("ASU") 2015-02, *Amendments to the Consolidation Analysis* ” (see Note 19 for information regarding the impact of the adoption). Accordingly, the Company consolidates those entities in which it has a direct or indirect controlling financial interest based on either a variable interest model or voting interest model. As such, the Company consolidates (a) entities in which it holds a majority voting interest or has majority ownership and control over the operational, financial and investing decisions of that entity, including Ares affiliates and affiliated funds and co-investment entities and (b) entities that the Company concludes are variable interest entities (“VIEs”), including limited partnerships and CLOs in which the Company has more than insignificant economic interest and power to direct the activities that most significantly impact the entities, and for which the Company is deemed to be the primary beneficiary.

The Company determines whether an entity should be consolidated by first evaluating whether it holds a variable interest in the entity. Fees that are customary and commensurate with the level of services provided by the Company, and where the Company does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered a variable interest. The Company factors in all economic interests, including proportionate interests through related parties, to determine if fees are considered a variable interest. As the Company’s interests in funds are primarily management fees, performance fees, and/or insignificant direct or indirect equity interests through related parties, the Company is not considered to have a variable interest in many of these entities. Entities that are not VIEs are further evaluated for consolidation under the voting interest model (“VOE”).

Variable Interest Model

An entity is considered to be a variable interest entity (“VIE”) if any of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) the holders of equity investment at risk, as a group, lack either the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some equity investors are disproportionate to their obligation to absorb losses of the entity, their rights to receive returns from an entity, or both and substantially all of the entity’s activities either involve or are conducted on behalf of an investor with disproportionately few voting rights.

The Company consolidates all VIEs for which it is the primary beneficiary. An entity is determined to be the primary beneficiary if it holds a controlling financial interest, which is defined as having (a) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Company determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and continuously reconsiders the conclusion. In evaluating whether the Company is the primary beneficiary, the Company evaluates its direct and indirect economic interests in the entity. The consolidation analysis is generally performed qualitatively, however, if the primary beneficiary is not readily determinable, a quantitative analysis may also be performed. This analysis requires judgment. These judgments include: (1) determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (2) evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity, (3) determining whether two or more parties' equity interests should be aggregated, (4) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity and (5) evaluating the nature of relationships and activities of the parties involved in determining which party within a related-party group is most closely associated with a VIE and hence would be deemed the primary beneficiary.

Voting Interest Model

The Company consolidated entities, including limited partnerships and similar entities, in which it held a majority voting interest and those entities in which it had majority ownership and control over the operational, financial and investing decisions, including Ares affiliates and affiliated funds and co-investment entities.

The Company’s total exposure to consolidated VOEs represents the value of its economic ownership interest in these entities. Valuation changes associated with investments held at fair value by these consolidated VOEs are reflected in non-operating income (expense) and partially offset in net income (loss) attributable to non-controlling interests for the portion not attributable to the Company.

Equity Appropriated for Consolidated Funds

As of December 31, 2016 and 2015 , the Company consolidated seven and five CLOs, respectively. Effective January 1, 2016, the Company adopted ASU 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity* . The Company applied the guidance using a modified retrospective approach by recording a cumulative-effect adjustment of $3.4 million to equity appropriated for Consolidated Funds as of January 1, 2016.

Prior to the adoption of ASU 2014-13, the Company elected the fair value option for eligible liabilities to mitigate the accounting mismatch between the carrying value of the assets and liabilities of its consolidated CLOs. As a result, the Company accounted for the excess of fair value of assets over liabilities as an increase in equity appropriated for Consolidated Funds.

Pursuant to the adoption of ASU 2014-13, the Company is required to determine whether the fair values of the financial assets or financial liabilities are more observable. Beginning January 1, 2016, the Company has determined that the fair value of the financial assets of the consolidated CLOs, which are mostly Level II assets within the GAAP fair value hierarchy, are more observable than the fair value of the financial liabilities of its consolidated CLOs, which are mostly Level III liabilities within the GAAP fair value hierarchy. As a result, the financial assets of consolidated CLOs are measured at fair value and the financial liabilities of the consolidated CLOs are measured in consolidation as: (1) the sum of the fair value of the financial assets, and the carrying value of any nonfinancial assets held temporarily, less (2) the sum of the fair value of any beneficial interests retained by the Company (other than those that represent compensation for services), and the Company’s carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by the Company).

The loan obligations issued by the CLOs are backed by diversified collateral asset portfolios and by structured debt or equity. In exchange for managing the collateral for the CLOs, the Company typically earns a variety of management fees, including senior and subordinated management fees, and in some cases, contingent performance fees. In cases where the Company earns fees from a fund that it consolidates with the CLOs, those fees have been eliminated as intercompany transactions. The Company's holdings in these CLOs are generally subordinated to other interests in the entities and entitle the Company to receive a pro rata portion of the residual cash flows, if any, from the entities. Additionally, the Company may invest in other senior secured notes, which are repaid based on available cash flows subject to priority of payments under each consolidated CLO's governing documents. Investors in the CLOs generally have no recourse against the Company for any losses sustained in the capital structure of each CLO.

Business Combinations

In accounting for business acquisitions, the Company separates recognition of goodwill from the assets acquired and the liabilities assumed, at the acquisition date fair values. The Company accounts for business combinations using the acquisition method of accounting by allocating the purchase price of the acquisition to the fair value of each asset acquired and liability assumed as of the acquisition date. Contingent consideration obligations are recognized as of the acquisition date at fair value based on the probability that contingency will be realized. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Acquisition-related costs in connection with a business combination are expensed as incurred.

Management’s determination of fair value of assets acquired and liabilities assumed at the acquisition date as well as contingent consideration are based on the best information available in the circumstances, and may incorporate management’s own assumptions and involve a significant degree of judgment and estimates that are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

For a given acquisition, management may identify certain pre-acquisition contingencies as of the acquisition date and may extend the review and evaluation of these pre-acquisition contingencies throughout the measurement period to obtain sufficient information to assess whether management includes these contingencies as a part of the fair value estimates of assets acquired and liabilities assumed and, if so, to determine their estimated amounts. If management cannot reasonably determine the fair value of a pre-acquisition contingency by the end of the measurement period, which is generally the case given the nature of such matters, the Company will recognize an asset or a liability for such pre-acquisition contingency if: (i) it is probable that an asset existed or a liability had been incurred at the acquisition date and (ii) the amount of the asset or liability can be reasonably estimated. Subsequent to the measurement period, changes in the estimates of such contingencies would affect earnings and could have a material effect on the consolidated statements of operations and financial condition.

Fair Value Measurements

GAAP establishes a hierarchal disclosure framework that prioritizes the inputs used in measuring financial instruments at fair value into three levels based on their market observability. Market price observability is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available quoted prices from an active market or for which fair value can be measured based on actively quoted prices generally have a higher degree of market price observability and a lesser degree of judgment inherent in measuring fair value.

Financial assets and liabilities measured and reported at fair value are classified as follows:

- *Level I* —Quoted prices in active markets for identical instruments.
- *Level II* —Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; and model‑derived valuations with directly or indirectly observable significant inputs. Level II inputs include prices in markets with few transactions, non-current prices, prices for which little public information exists or prices that vary substantially over time or among brokered market makers. Other inputs include interest rates, yield curves, volatilities, prepayment risks, loss severities, credit risks and default rates.
- *Level III* —Valuations that rely on one or more significant unobservable inputs. These inputs reflect the Company's assessment of the assumptions that market participants would use to value the instrument based on the best information available.

In some instances, an instrument may fall into more than one level of the fair value hierarchy. In such instances, the instrument's level within the fair value hierarchy is based on the lowest of the three levels (with Level III being the lowest) that is significant to the fair value measurement. The Company's assessment of the significance of an input requires judgment and considers factors specific to the instrument. The Company accounts for the transfer of assets into or out of each fair value hierarchy level as of the beginning of the reporting period. (See Note 6 for further detail).

Cash and Cash Equivalents

Cash and cash equivalents for the Company includes investments with maturities at purchase of less than three months, money market funds and demand deposits. Cash and cash equivalents held at Consolidated Funds represents cash that, although not legally restricted, is not available to support the general liquidity needs of the Company, as the use of such amounts is generally limited to the investment activities of the Consolidated Funds.

As the servicer to certain real estate investments, certain subsidiaries of the Company collect escrow deposits from borrowers to ensure the borrowers' obligations are met. These escrow deposits are represented as restricted cash and cash equivalents for the Company and are offset by escrow cash liability within accounts payable and accrued expenses in the Consolidated Statements of Financial Condition. Restricted cash for the Consolidated Funds represents cash that is legally segregated according to the underlying fund agreements.

At December 31, 2016 and 2015, the Company had cash balances with financial institutions in excess of Federal Deposit Insurance Corporation insured limits. The Company monitors the credit standing of these financial institutions.

Investments

The Company has retained the specialized investment company accounting guidance under GAAP with respect to its

Consolidated Funds, which hold substantially all of its investments. Thus, the consolidated investments are reflected in the Consolidated Statements of Financial Condition at fair value, with unrealized appreciation (depreciation) resulting from changes in fair value reflected as a component of net change in unrealized appreciation (depreciation) on investments in the Consolidated Statements of Operations. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price).

Equity Method Investments

The Company accounts for its investments held by its operating subsidiaries, and in which it has or is otherwise presumed to have significant influence, including investments in unconsolidated funds and strategic investments, using the equity method of accounting or at fair value pursuant to the fair value option.

The fair value option permits the irrevocable election of fair value on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Company elected the fair value option for certain of its equity method investments. Unrealized appreciation (depreciation) and realized gains (losses) from the Company's equity method investments at fair value are included within net realized and unrealized gain (loss) on investments within the Consolidated Statements of Operations.

When the fair value option is not elected, the carrying value of investments accounted for using equity method accounting is determined based on amounts invested by the Company, adjusted for the equity in earnings or losses of the investee allocated based on the respective partnership agreements, less distributions received. The Company evaluates the equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The Company's share of the investee's income and expenses for the Company's equity method investments is included within net realized and unrealized gain (loss) on investments within the Consolidated Statements of Operations.

Held-to-Maturity Investments

The Company classifies its securities investments as held-to-maturity investments when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are reported as investments and are recorded at amortized cost. On a periodic basis, the Company reviews its held-to-maturity investment portfolio for impairment. If a decline in fair value is deemed to be other-than-temporary, the held-to-maturity investment is written down the impairment through earnings.

Derivative Instruments

The Company recognizes all derivatives as either assets or liabilities in the Consolidated Statements of Financial Condition within other assets or accounts payable, accrued expenses and other liabilities, respectively, and reports them at fair value.

Goodwill and Intangible Assets

The Company's finite-lived intangible assets consist of contractual rights to earn future management fees and performance fees from the acquired management contracts. Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from approximately 1 to 13.5 years. The purchase price is treated as an intangible asset and is amortized over the life of the contract. Amortization is included as part of general, administrative and other expenses in the Consolidated Statements of Operations.

The Company tests finite-lived intangible assets for impairment if certain events occur or circumstances change indicating that the carrying amount of the intangible asset may not be recoverable. The Company uses a two-step process to evaluate impairment. The first step compares the estimated undiscounted future cash flow attributable to the intangible asset being evaluated with its carrying amount. The second step, used to measure the amount of potential impairment, compares the fair value of the intangible asset with its carrying amount. If an impairment is determined to exist by management, the Company accelerates amortization expense so that the carrying value represents fair value.

Goodwill represents the excess cost over identifiable net assets of an acquired business. The Company tests goodwill annually for impairment. If, after assessing qualitative factors, the Company believes that it is more likely than not that the fair value of the reporting unit is less than its carrying value, the Company will use a two-step process to evaluate impairment. The first step compares the fair value of the reporting unit with its carrying amount, including goodwill. The second step, used to measure the amount of any potential impairment, compares the implied fair value of the reporting unit with the carrying amount of goodwill.

The Company also tests goodwill for impairment in other periods if an event occurs or circumstances change such that is more likely than not to reduce the fair value of the reporting unit below its carrying amounts. Inherent in such fair value determinations are certain judgments and estimates relating to future cash flows, including the Company's interpretation of current economic indicators and market valuations, and assumptions about the Company's strategic plans with regard to its operations. Due to the uncertainties associated with such estimates, actual results could differ from such estimates .

Fixed Assets

Fixed assets, consisting of furniture, fixtures and equipment, leasehold improvements, and computer hardware and internal use software, are recorded at cost, less accumulated depreciation and amortization. Fixed assets are included within other assets on the Company's Consolidated Statements of Financial Condition.

Direct costs associated with developing, purchasing or otherwise acquiring software for internal use ("Internal Use Software") are capitalized and amortized on a straight-line basis over the expected useful life of the software, beginning when the software is ready for its intended purpose. Costs incurred for upgrades and enhancements that will not result in additional functionality are expensed as incurred.

Fixed assets are depreciated or amortized on a straight-line method over an asset's estimated useful life, with the corresponding depreciation and amortization expense included within general, administrative and other expenses on the Company's Consolidated Statements of Operations. The estimated useful life for leasehold improvements is the lesser of the lease terms and the life of the asset, and for other fixed assets and Internal Use Software is generally between three and seven years. Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Revenues Recognition

Revenues primarily consist of management fees, performance fees and administrative and other fees.

Management Fees

Management fees are generally based on a defined percentage of fair value of assets, total commitments, invested capital, net asset value ("NAV"), net investment income, total assets or par value of the investment portfolios managed by the Company. Principally all management fees are earned from affiliated funds of the Company. The contractual terms of management fees vary by fund structure and investment strategy. Management fees are recognized as revenue in the period advisory services are rendered, subject to the Company's assessment of collectability.

Management fees also include a quarterly performance fee on the investment income ("ARCC Part I Fees") from Ares Capital Corporation (NASDAQ: ARCC) ("ARCC"), a publicly traded business development company registered under the Investment Company Act and managed by a subsidiary of the Company.

ARCC Part I Fees are equal to 20.0% of its net investment income (before ARCC Part I Fees and incentive fees payable based on capital gains), subject to a fixed "hurdle rate" of 1.75% per quarter, or 7.0% per annum. No fee is recognized until ARCC's net investment income exceeds a 1.75% hurdle rate, with a "catch-up" provision such that the Company receives 20% of ARCC's net investment income from the first dollar earned. Such fees from ARCC are classified as management fees as they are paid quarterly, predictable and recurring in nature, not subject to contingent repayment and are typically cash settled each quarter.

Performance Fees

Performance fee revenues consist of incentive fees and carried interest. Performance fees are based on certain specific hurdle rates as defined in the applicable investment management agreements or governing documents. Substantially all performance fees are earned from affiliated funds of the Company. Performance fees receivable is presented separately in the Consolidated

Statements of Financial Condition and represents performance fees recognized but not yet collected. The timing of the payment of performance fees due to the general partner or investment manager varies depending on the terms of each applicable agreement.

Incentive Fees

Incentive fees earned on the performance of certain fund structures, typically in credit funds, are recognized based on the fund's performance during the period, subject to the achievement of minimum return levels, or high water marks, in accordance with the respective terms set out in each fund's investment management agreement. Incentive fees are recorded on an accrual basis to the extent such amounts are contractually due. Accrued but unpaid incentive fees as of the reporting date are recorded in performance fees receivable in the Consolidated Statements of Financial Condition. Incentive fees are realized at the end of a measurement period, typically annually. Once realized, such fees are not subject to reversal.

Carried Interest

In certain fund structures, typically in private equity and real estate equity funds, carried interest is allocated to the Company based on cumulative fund performance to date, subject to the achievement of minimum return levels in accordance with the respective terms set out in each fund's investment management agreement. At the end of each reporting period, a fund will allocate carried interest applicable to the Company based upon an assumed liquidation of that fund's net assets on the reporting date, irrespective of whether such amounts have been realized. Carried interest is recorded to the extent such amounts have been allocated, and may be subject to reversal to the extent that the amount allocated exceeds the amount due to the general partner or investment manager based on a fund's cumulative investment returns.

As the fair value of underlying assets varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (i) positive performance resulting in an increase in the carried interest allocated to the Company or (ii) negative performance that would cause the amount due to the Company to be less than the amount previously recognized as revenue, resulting in a negative adjustment to carried interest allocated to the Company. Accrued but unpaid carried interest as of the reporting date is recorded in performance fees receivable in the Consolidated Statements of Financial Condition.

Carried Interest is realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the specific hurdle rates as defined in the applicable investment management agreements or governing documents. Since carried interest is subject to reversal, the Company may need to accrue for potential repayment of previously received carried interest. This accrual represents all amounts previously distributed to the Company that would need to be repaid to the funds if the funds were to be liquidated based on the current fair value of the underlying funds' investments as of the reporting date. The actual repayment obligations, however, generally does not become realized until the end of a fund's life. As of December 31, 2016 and 2015, the Company had no accrued contingent repayment obligations that would need to be paid if the funds were liquidated at fair value at the reporting dates.

Administrative and Other Fees

The Company provides administrative services to certain of its affiliated funds that are reported within administrative and other fees. The administrative fees generally represent expense reimbursements for a portion of overhead and other expenses incurred by certain Operations Management Group professionals directly attributable to performing services for a fund, but may also be based on a fund's NAV for certain funds domiciled outside the U.S. The Company also receives transaction fees from certain affiliated funds for activities related to fund transactions, such as loan originations. These fees are recognized as other revenue in the period in which the administrative services and the transaction related services are rendered.

Equity-Based Compensation

The Company recognizes expense related to equity-based compensation in which it receives employee services in exchange for (a) equity instruments of the Company, (b) derivatives based on the Company's common units or (c) liabilities that are based on the fair value of the Company's equity instruments.

Equity-based compensation expense represents expenses associated with the following:

(a) Restricted units, options and phantom units granted under the Ares Management, L.P. 2014 Equity Incentive Plan ("Equity Incentive Plan"); and

(b) Conversion of and acceleration in vesting of certain existing interests in connection with the Reorganization.

Equity-based compensation expense for restricted units and options is determined based on the fair value of the respective equity award on the grant date and is recognized on a straight-line basis over the requisite service period, with a corresponding increase in partners' capital. Grant date fair value of the restricted units was determined to be the most recent closing price of common units. Certain restricted units are subject to a lock-up provision that expires on the fifth anniversary of the IPO. The Company used Finnerty's average strike-price put option model to estimate the discount associated with this lack of marketability. The Company estimated the grant date fair value of the options as of the grant date using Black-Scholes option pricing model. The phantom units will be settled in cash and therefore represent a liability that is required to be remeasured at each reporting period. Fair value of phantom units was determined to be the most recent closing price each reporting period.

In 2016, the Company adopted ASU 2016-09, *Compensation - Stock Compensation (Topic 718)* . In accordance with ASU 2016-09, the Company elected to recognize share-based award forfeitures in the period they occur as a reversal of previously recognized compensation expense. The reduction in compensation expense is determined based on the specific awards forfeited during that period. Prior to the adoption of ASU 2016-09, the Company applied an estimated forfeiture rate as a reduction of current period equity compensation expense.

The Company records deferred tax assets or liabilities for equity compensation plan awards based on deductions for income tax purposes of equity-based compensation recognized at the statutory tax rate in the jurisdiction in which the Company is expected to receive a tax deduction. In addition, differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on the Company's income tax returns are recorded as adjustments to partners' capital. If the tax deduction is less than the deferred tax asset, the calculated shortfall reduces the pool of excess tax benefits. If the pool of excess tax benefits is reduced to zero, then subsequent shortfalls would increase the income tax expense.

Equity-based compensation expense is presented within compensation and benefits in the Consolidated Statements of Operations.

Performance Fee Compensation

The Company has agreed to pay a portion of the performance fees earned from certain funds, including income from Consolidated Funds that is eliminated in consolidation, to investment and non-investment professionals. Depending on the nature of each fund, the performance fee allocation may be structured as a fixed percentage subject to vesting based on continued employment or service (generally over a period of five years) or as an annual award that is fully vested for the particular year. Other limitations may apply to performance fee allocation as set forth in the applicable governing documents of the fund or award documentation. Performance fee compensation is recognized in the same period that the related performance fee is recognized. Performance fee compensation can be reversed during periods when there is a decline in performance fees that were previously recognized.

Performance fee compensation payable represents the amounts payable to professionals who are entitled to a proportionate share of performance fees in one or more funds. The liability is calculated based upon the changes to realized and unrealized performance fees but not payable until the performance fee itself is realized.

Net Interest and Investment Income (Expense)

Interest, dividend and other investment income are included in net interest and investment income (expense). Interest income is recognized on an accrual basis to the extent that such amounts are expected to be collected using the effective interest method. Dividends and other investment income are recorded when the right to receive payment is established .

Net Realized and Unrealized Gain (Loss) on Investments

Realized gain (loss) occurs when the Company redeems all or a portion of its investment or when the Company receives cash income, such as dividends or distributions. Unrealized appreciation (depreciation) results from changes in the fair value of the underlying investment as well as the reversal of previously recognized unrealized appreciation (depreciation) at the time an investment is realized. Realized and unrealized gains (losses) are presented together as net realized and unrealized gain (loss) on investments in the Consolidated Statements of Operations.

Foreign Currency

The U.S. dollar is the Company's functional currency; however, certain transactions of the Company may not be denominated in U.S. dollars. Foreign exchange revaluation arising from these transactions is recognized within net interest and investment income (expense) in the Consolidated Statements of Operations. For the years ended December 31, 2016, 2015 and 2014, the Company recognized $16.2 million , $0.3 million and $0.3 million , respectively, in transaction losses related to foreign currencies revaluation.

In addition, the combined and consolidated results include certain foreign subsidiaries and Consolidated Funds that use functional currencies other than the U.S. dollar. Assets and liabilities of these foreign subsidiaries are translated to U.S. dollars at the prevailing exchange rates as of the reporting date. Income and expense and gain and loss transactions denominated in foreign currencies are generally translated into U.S. dollars monthly using the average exchange rates during the respective transaction period. Translation adjustments resulting from this process are recorded to currency translation adjustment in accumulated other comprehensive income.

Income Taxes

A substantial portion of the Company's earnings flow through to owners of the Company without being subject to entity level income taxes. Consequently, a significant portion of the Company's earnings reflects no provision for income taxes except those for foreign, state, city and local income taxes incurred at the entity level. A portion of the Company's operations is held through AHI, as well as corporate subsidiaries of Ares Investments, which are U.S. corporations for tax purposes. AHI is subject to U.S. corporate tax on earnings that flow through from Ares Holdings with respect to both AOG Units and preferred units at the Ares Operating Group level. Their income is subject to U.S. federal, state and local income taxes and certain of their foreign subsidiaries are subject to foreign income taxes (for which a foreign tax credit can generally offset U.S. corporate taxes imposed on the same income). A provision for corporate level income taxes imposed on AHI's earnings is included in the Company's tax provision. The Company's tax provision also includes entity level income taxes incurred by certain affiliated funds and co-investment entities that are consolidated in these financial statements.

Income taxes are accounted for using the liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized as income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current and deferred tax liabilities are reported on a net basis in the Consolidated Statements of Financial Condition.

The Company analyzes its tax filing positions in all U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns for all open tax years in these jurisdictions. The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position. The tax benefit recognized in the financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized. The amount of unrecognized tax benefits ("UTBs") is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. The Company recognizes both accrued interest and penalties, where appropriate, related to UTBs in general, administrative and other expenses in the Consolidated Statements of Operations.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties under GAAP. The Company reviews its tax positions quarterly and adjusts its tax balances as new information becomes available .

Income Allocation

Income (loss) before taxes is allocated based on each partner's average daily ownership of the Ares Operating Group entities for each year presented. The net income attributable to Ares Management, L.P. for the years ended December 31, 2016, 2015 and 2014 represents its average daily ownership of 38.04% , 37.86% and 38.02% , respectively. The net income attributable to Ares Management, L.P. for the year ended December 31, 2014, represents its average daily ownership from May 1, 2014, the effective date of Reorganization, to December 31, 2014.

Earnings Per Common Unit

Basic earnings per common unit are computed by dividing income available to common unitholders by the weighted-average number of common units outstanding during the period. Income available to common unitholders represents net income attributable to Ares Management, L.P.

Diluted earnings per unit is computed by dividing income available to common unitholders by the weighted-average number of common units outstanding during the period, increased to include the number of additional common units that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding options to acquire units, unvested restricted units and AOG Units exchangeable for common units. The effect of potentially dilutive securities is reflected in diluted earnings per unit using the more dilutive result of the treasury stock method or the two-class method.

Unvested share-based payment awards that contain non-forfeitable rights to distribution or distribution equivalents (whether paid or unpaid) are participating securities and are considered in the computation of earnings per unit pursuant to the two-class method. Unvested restricted units that pay distribution equivalents are deemed participating securities and are included in basic and diluted earnings per unit calculation under the two-class method.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other appreciation (depreciation) affecting partners' capital that, under GAAP, are excluded from net income (loss). The Company's other comprehensive income (loss) includes foreign currency translation adjustments.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all ASUs issued. ASUs not listed below were assessed and either determined to be not applicable or expected to have minimal impact on its consolidated financial statements.

Revenue Recognition:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU 2014-09 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This ASU provides alternative methods of adoption. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers, Deferral of the Effective Date.* ASU 2015-14 defers the effective date of ASU 2014-09 by one year to December 15, 2017 for fiscal years, and interim periods within those years, beginning after that date and permits early adoption of the standard, but not before the original effective date for fiscal years beginning after December 15, 2016. In March, April and May 2016, the FASB issued additional ASUs clarifying certain aspects of ASU 2014-09. The core principle of ASU 2014-09 was not changed by the additional guidance.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)* , deferring the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is now permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Under the updated guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations.* The objective of the guidance in ASU 2016-08 is to provide clarity on the application of the current principal versus agent guidance. ASU 2016-08 clarifies how an entity should determine whether it is acting as a principal or an agent for each specified good or service promised to a customer and how to determine the nature of each specified good or service. The effective date and transition requirements of ASU 2016-08 are the same as that of ASU 2014-09. During the second and third quarters of 2016, three ASUs: ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing;* ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients;* and ASU 2016-20 *, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* , were issued to provide clarification to previously issued revenue recognition guidance (ASU 2014-09) that has not yet been implemented. The two updates are required to be adopted with ASU 2014-09, but are not expected to change its application by the Company.

While the Company continues to evaluate the impact of the above revenue recognitions guidance, and cannot currently quantify the impact of the guidance, the Company has begun a preliminary assessment of the impact. The assessment includes a detailed review of investment management agreements, establishing which agreements are expected to be in place, and understanding when revenue would be recognized under those agreements. The primary contracts impacted by this standard crystalize revenue on an annual basis but could have elements that prevent annual recognition subject to management's evaluation of the investment management agreements in consideration of the new standard and its subsequent clarification.

Statement of Cash Flows:

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* . The objective of ASU 2016-15 is to reduce diversity in practice among public entities. ASU 2016-15 clarifies the appropriate cash flow classification(s) for certain cash receipts or payments made by an entity, including: debt prepayment, settlement of zero-coupon debt instruments, contingent consideration payments, proceeds from insurance claims, proceeds from corporate-owned life insurance policies, distributions from equity method investees, and beneficial interests in securitization transactions. It also confirms the proper treatment of cash receipts or payments that have aspects of more than one type of cash flow. The guidance should be applied using a retrospective approach. ASU 2016-15 is effective for public entities for annual reporting periods beginning after December 15, 2017, with early adoption permitted.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* ASU 2016-18 addresses the diversity issue that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this ASU apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under ASC 230. The guidance should be applied using a retrospective transition method to each period presented. ASU 2016-18 is effective for public entities for annual reporting periods beginning after December 15, 2017, i ncluding interim reporting periods within those annual reporting periods with early adoption permitted.

The above statement of cash flows guidance will not have a material impact on the Company's consolidated financial statements.

Other Guidance:

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* The objective of the guidance in ASU 2016-01 is to enhance the reporting model for financial instruments to provide more decision-useful information. ASU 2016-01 requires an entity to carry all of its investments in equity securities at fair value, and to recognize periodic changes of that fair value in income. This guidance excludes equity method investments, investments that result in the consolidation of the investee and investments for which the entity has elected the practicability exception to the fair value measurement requirements. The guidance should be applied using a cumulative-effect adjustment to the beginning balance of retained earnings as of the beginning of the fiscal year in which the guidance becomes effective. ASU 2016-01 is effective for public entities for annual reporting periods beginning after December 15, 2017 and interim periods within those reporting periods. The Company does not believe this guidance will have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The objective of the guidance in ASU 2016-02 is to increase transparency and comparability among organizations by recognizing lease assets and liabilities in the balance sheet and disclosing key information. ASU 2016-02 amends previous lease guidance, which required a lessee to categorize and account for leases as either operating leases or capital leases, and instead requires a lessee to recognize a lease liability and a right-of-use asset on the entity's balance sheet for all leases with terms that exceed one year. The lease liability and right-of-use asset are to be carried at the present value of remaining expected future lease payments. The guidance should be applied using a modified retrospective approach. ASU 2016-02 is effective for public entities for annual reporting periods beginning after December 15, 2018 and interim periods within those reporting periods, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, *Investments - Equity Method and Joint Ventures (Topic 323).* ASU 2016-07 removes the requirement to retroactively apply the equity method of accounting for an investment that becomes eligible for the equity method due to an increase in the level of ownership interest or degree of influence. The investment should be accounted for as an equity method investment as of the date that it becomes qualified for such treatment. At this date, any unrealized holding gain (loss), if the investment was an available-for-sale equity security, should be recognized in earnings. ASU 2016-07 is effective for public entities for annual reporting periods beginning after December 15, 2016 and interim periods within those reporting periods, with early adoption permitted. ASU 2016-07 will currently not have any impact on the Company's consolidated financial statements. The Company will apply the guidance when any of its investments becomes eligible for the equity method due to an increase in the level of ownership interest or degree of influence.

In May 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* . The objective of the guidance in ASU 2016-13 is to allow entities to recognize estimated credit losses in the period that the change in valuation occurs. ASU 2016-13 requires an entity to present financial assets measured on an amortized cost basis on the balance sheet net of an allowance for credit losses. Available for sale and held to maturity debt securities are also required to be held net of an allowance for credit losses. The guidance should be applied using a modified retrospective approach. ASU 2016-13 is effective for public entities for annual reporting periods beginning after December 15, 2019 and interim periods within those reporting periods. Early adoption is permitted for annual and quarterly reporting periods beginning after December 15, 2018. The Company does not believe this guidance will have a material impact on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory.* Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. In addition, interpretations of this guidance have developed in practice for transfers of certain intangible and tangible assets. This prohibition on recognition is an exception to the principle of comprehensive recognition of current and deferred income taxes in GAAP. To more faithfully represent the economics of intra-entity asset transfers, the amendments in this ASU require that entities recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in this ASU do not change GAAP for the pre-tax effects of an intra-entity asset transfer under ASC 810, Consolidation, or for an intra-entity transfer of inventory. The guidance should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. ASU 2016-16 is effective for public entities for annual reporting periods beginning after December 15, 2017, i ncluding interim reporting periods within those annual reporting periods with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control.* This ASU amend the consolidation guidance on how a reporting entity that is the single decision maker of a variable interest entity (VIE) should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. Under this ASU, a single decision maker is not required to consider indirect interests held through related parties that are under common control with the single decision maker to be the equivalent of direct interests in their entirety. Instead, a single decision maker is required to include those interests on a proportionate basis consistent with indirect interests held through other related parties. The guidance should be applied retrospectively to all relevant prior periods beginning with the fiscal year in which the amendments in ASU 2015-02 initially were applied. ASU 2016-17 is effective for public entities for annual reporting periods beginning after December 15, 2016, i ncluding interim reporting periods within those annual reporting periods with early adoption permitted. The

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Company does not believe this guidance will have a material impact on its consolidated financial statements.

3. BUSINESS COMBINATIONS

Acquisition of EIF Management, LLC

In January 2015, the Company acquired of all of the outstanding membership interests of EIF Management, LLC ("EIF"), an asset manager in the U.S. power and energy assets industry. As a result of the acquisition, the Company expanded into an energy infrastructure equity strategy focused on generating long-term, cash-flowing investments in the power generation, transmission and midstream energy sector.

The acquisition date fair value of the consideration transferred totaled $149.2 million , which consisted of the following:

Cash	$	64,532
Equity (1,578,947 Ares Operating Group units)		25,468
Contingent consideration		59,171
Total	$	149,171

The Company allocated $90.6 million of the purchase price to the fair value of the acquired net assets. The remaining $58.6 million of the purchase price was recorded as goodwill. The financial results of EIF are included within the consolidated financial statements presented herein. EIF is presented within the Company's Private Equity Group segment.

The transaction included contingent consideration that is payable to EIF's former membership interest holders if Ares successfully launches a new fund ("Fund V") that meets certain revenue and fee paying commitment targets during Fund V's commitment period. The fair value of the liability for contingent consideration as of the acquisition date was approximately $59.2 million , which includes cash and equity consideration that are not subject to vesting or are fully vested, and is included in the purchase price consideration described above (see Note 11 for subsequent valuation adjustments). Additionally, in accordance with the membership interest purchase agreement, as part of the contingent consideration, the Company also agreed to grant certain equity consideration that would generally vest ratably over a period of two to five years after Fund V's final closing, which has not yet occurred.

Supplemental information on an unaudited pro forma basis, as if the EIF acquisition had been consummated as of January 1, 2014 is as follows:

	Year Ended December 31, 2015	Year Ended December 31, 2014 (unaudited)	May 1, 2014 December 31, 2014 (unaudited)
Total revenues	$ 56,659	$ 42,767	$ 28,512
Net income attributable to Ares Management, L.P.	$ 2,267	$ 174	$ 116
Earnings per common unit, basic and diluted	$ 0.03	$ 0.00	N/A

The unaudited pro forma supplemental information is based on estimates and assumptions, which the Company believes are reasonable. These results are not necessarily indicative of the Company's consolidated financial condition or statements of operations in future periods or the results that actually would have been realized had the Company and EIF been a combined entity during the period presented. These amounts have been calculated after applying the Company's accounting policies and adjusting the results of EIF to reflect the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had been applied on January 1, 2014, together with the consequential tax effects. Prior to the Reorganization and the IPO in May 2014, the Company's businesses were conducted through multiple operating businesses rather than a single holding entity. As such, there was no single capital structure upon which to calculate historical earnings per common unit information. Accordingly, unaudited pro forma earnings per common unit information has not been presented for the period from January 1, 2014 and April 30, 2014. Revenues and net income attributable to Ares Management, L.P. are prorated evenly over a twelve-month period for the calculation of unaudited pro forma earnings per common unit for the period from May 1, 2014 to December 31, 2014.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

4. GOODWILL AND INTANGIBLE ASSETS

The following table summarizes the carrying value for the Company's intangible assets:

	Weighted Average Amortization Period as of December 31, 2016	As of December 31, 2016	2015
Management contracts	2.0 years	$ 111,939	$ 163,469
Client relationships	11.5 years	38,600	38,600
Trade name	5.5 years	3,200	3,200
Intangible assets, gross		153,739	205,269
Foreign currency translation		(3,205)	(1,436)
Total intangible assets acquired		**150,534**	**203,833**
Less: accumulated amortization		(92,219)	(118,862)
Intangible assets, net		**$ 58,315**	**$ 84,971**

Amortization expense associated with intangible assets was $26.6 million , $46.2 million and $27.6 million for the years ended December 31, 2016 , 2015 and 2014 , respectively, and is presented within general, administrative and other expenses within the Consolidated Statements of Operations. During 2016, the Company removed $51.5 million of intangible assets that were fully amortized.

At December 31, 2016 , future annual amortization of finite-lived intangible assets for the years 2017 through 2021 and thereafter is estimated to be:

Year	Amortization
2017	$ 17,850
2018	9,031
2019	4,458
2020	4,071
2021	3,987
Thereafter	18,918
Total	**$ 58,315**

Goodwill

The following table summarizes the carrying value of the Company's goodwill assets:

	Credit	Private Equity	Real Estate	Total
Balance as of December 31, 2014	**$ 32,196**	**$ —**	**$ 53,385**	**$ 85,581**
Goodwill acquired during the period	—	58,600	—	58,600
Foreign currency translation	—	—	(114)	(114)
Balance as of December 31, 2015	**32,196**	**58,600**	**53,271**	**144,067**
Foreign currency translation	—	—	(343)	(343)
Balance as of December 31, 2016	**$ 32,196**	**$ 58,600**	**$ 52,928**	**$ 143,724**

There was no impairment of goodwill recorded during the years ended December 31, 2016 , 2015 and 2014.

5. INVESTMENTS

The Company’s investments are comprised of: (i) investments presented at fair value as a result of the election of the fair value option or in accordance with investment company accounting, (ii) equity method investments (using equity method or fair value option) and (iii) held-to-maturity investments.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Fair Value Investments, excluding Equity Method Investments Held at Fair Value

	Fair value at December 31,		Fair value as a percentage of total December 31,	
	2016	2015	2016	2015
Private Investment Partnership Interests:				
AREA Sponsor Holdings, LLC	$ 28,898	$ 37,275	6.8%	8.7%
ACE II Master Fund, L.P. (1)(2)	22,042	22,015	5.2%	5.2%
Ares Corporate Opportunities Fund III, L.P.	97,549	108,506	22.9%	25.4%
Ares Corporate Opportunities Fund IV, L.P. (2)	37,308	30,571	8.7%	7.2%
Resolution Life L.P.	33,410	40,703	7.8%	9.5%
Other private investment partnership interests (1)(3)	118,075	132,405	27.7%	31.0%
Total private investment partnership interests (cost: $256,638 and $297,026 at December 31, 2016 and 2015, respectively)	**337,282**	**371,475**	**79.1%**	**87.0%**
Collateralized Loan Obligations Interests:				
Collateralized loan obligations(3)	89,111	55,752	20.9%	13.0%
Total collateralized loan obligations (cost: $89,743 and $53,669 at December 31, 2016 and 2015, respectively)	**89,111**	**55,752**	**20.9%**	**13.0%**
Common Stock:				
Common stock(3)	100	81	0.0%	0.0%
Total common stock (cost: $124 and $116 at December 31, 2016 and 2015, respectively)	**100**	**81**	**0.0%**	**0.0%**
Total fair value investments (cost: $346,505 and $350,811 at December 31, 2016 and 2015, respectively)	**$ 426,493**	**$ 427,308**		

(1) Investment or portion of the investment is denominated in foreign currency; fair value is translated into U.S. dollars at each reporting date.
(2) Represents underlying security that is held through various legal entities.
(3) No single issuer or investment had a fair value that exceeded 5% of the Company's total investments.

Equity Method Investments

The Company’s equity method investments include investments that are not consolidated but over which the Company exerts significant influence. The Company's equity method investments, including those where the fair value option was elected, are summarized below:

	As of December 31,	
	2016	2015
Equity method investment	$ 3,616	$ 4,486
Equity method investments at fair value	21,843	19,471
Total equity method investments	**$ 25,459**	**$ 23,957**

The following tables present summarized financial information (in aggregate) for the Company's equity method investments. The Company determined that these investments were significant based on the change in fair value for the year ended December 31, 2015. The change in fair value of these investments for the year ended December 31, 2016 was not deemed to be significant.

	For the Years Ended December 31,		
	2016	2015	2014
Revenue	$ 8,751	$ 7,778	$ 7,567
Expenses	(24,064)	(27,147)	(5,970)
Net realized/unrealized gain from investments	46,887	$ 66,500	$ —
Income tax expense	(302)	$ (400)	$ (242)
Net income	**$ 31,272**	**$ 46,731**	**$ 1,355**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

	As of December 31,	
	2016	2015
Investments	$ 247,584	$ 216,500
Total Assets	$ 286,630	$ 235,276
Total Liabilities	$ 7,556	$ 166,065
Total Equity	$ 279,074	$ 69,211

The material assets of the Company's equity method investments are investments for which long term capital appreciation is expected, the material liabilities are debt instruments collateralized by, or related to, the financing of the assets and net income is materially comprised of the changes in fair value of these net assets.

Held-to-Maturity Investments

The Company classifies certain investments as held-to-maturity investments when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are reported as investments and are recorded at amortized cost. A summary of the cost and fair value of CLO notes classified as held-to maturity investments is as follows:

	As of December 31,	
	2016	2015
Amortized cost	$ 16,519	$ 17,022
Unrealized loss, net	(116)	(334)
Fair value	**$ 16,403**	**$ 16,688**

Based on the Company's ability and intent to hold the investments until maturity and the underlying credit performance of such investments, the Company has determined that the net unrealized losses are temporary impairments as of December 31, 2016 and 2015 .

There were no sales of held-to-maturity investments during the years ended December 31, 2016 and 2015 . All contractual maturities are greater than 10 years as of December 31, 2016 . Actual maturities may differ from contractual maturities because underlying collateral may have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Investments of the Consolidated Funds

Investments held in the Consolidated Funds are summarized below:

	Fair value at		Fair value as a percentage of total investments at	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
United States:				
Fixed income securities:				
Consumer discretionary	$ 665,773	$ 393,902	20.0%	15.4%
Consumer staples	64,840	40,030	1.9%	1.6%
Energy	45,409	38,617	1.4%	1.5%
Financials	139,285	78,806	4.2%	3.1%
Healthcare, education and childcare	246,403	162,191	7.4%	6.3%
Industrials	149,632	161,830	4.5%	6.3%
Information technology	194,394	138,186	5.8%	5.4%
Materials	139,994	95,767	4.2%	3.7%
Telecommunication services	261,771	202,256	7.9%	7.9%
Utilities	47,800	12,733	1.4%	0.5%
Total fixed income securities (cost: $1,945,977 and $1,377,870 at December 31, 2016 and 2015, respectively)	**1,955,301**	**1,324,318**	**58.7%**	**51.7%**
Equity securities:				
Energy	421	—	0.0%	—%
Healthcare, education and childcare	—	344	—%	0.0%
Partnership and LLC interests	171,696	86,902	5.2%	3.4%
Telecommunication services	—	510	—%	0.0%
Total equity securities (cost: $149,872 and $93,004 at December 31, 2016 and 2015, respectively)	**172,117**	**87,756**	**5.2%**	**3.4%**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

	Fair value at		Fair value as a percentage of total investments at	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Europe:				
Fixed income securities:				
Consumer discretionary	$ 274,678	$ 221,707	8.2%	8.7%
Consumer staples	39,197	50,625	1.2%	2.0%
Financials	28,769	29,922	0.9%	1.2%
Healthcare, education and childcare	111,589	104,704	3.4%	4.1%
Industrials	118,466	109,778	3.6%	4.3%
Information technology	49,507	31,562	1.5%	1.2%
Materials	124,629	98,450	3.7%	3.8%
Telecommunication services	118,632	149,105	3.6%	5.8%
Utilities	4,007	768	0.1%	0.0%
Total fixed income securities (cost: $892,108 and $836,217 at December 31, 2016 and 2015, respectively)	**869,474**	**796,621**	**26.2%**	**31.1%**
Equity securities:				
Consumer discretionary	—	4,306	—%	0.2%
Consumer staples	1,517	1,286	0.0%	0.1%
Healthcare, education and childcare	41,329	37,294	1.2%	1.5%
Telecommunication services	24	159	0.0%	0.0%
Total equity securities (cost: $67,290 and $ 80,827 at December 31, 2016 and 2015, respectively)	**42,870**	**43,045**	**1.2%**	**1.8%**
Asia and other:				
Fixed income securities:				
Consumer discretionary	24,244	34,810	0.7%	1.4%
Financials	1,238	—	0.0%	—%
Healthcare, education and childcare	10,010	23,999	0.3%	0.9%
Telecommunication services	8,696	9,909	0.3%	0.4%
Total fixed income securities (cost: $46,545 and $57,868 at December 31, 2016 and 2015, respectively)	**44,188**	**68,718**	**1.3%**	**2.7%**
Equity securities:				
Consumer discretionary	44,642	55,532	1.3%	2.2%
Consumer staples	50,101	55,442	1.5%	2.2%
Healthcare, education and childcare	32,598	32,865	1.0%	1.3%
Industrials	16,578	12,891	0.5%	0.5%
Total equity securities (cost: $122,418 and $118,730 at December 31, 2016 and 2015, respectively)	**143,919**	**156,730**	**4.3%**	**6.2%**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

	Fair value at		Fair value as a percentage of total investments at	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Canada:				
Fixed income securities:				
Consumer discretionary	$ —	$ 827	—%	0.0%
Consumer staples	5,256	1,369.0	0.2%	0.1%
Energy	12,830	8,724	0.4%	0.3%
Healthcare, education and childcare	15,509	14,819	0.5%	0.6%
Industrials	1,401	513	0.0%	0.0%
Telecommunication services	13,852	6,627	0.4%	0.3%
Total fixed income securities (cost: $48,274 and $34,397 at December 31, 2016 and December 31, 2015, respectively)	**48,848**	**32,879**	**1.5%**	**1.3%**
Equity securities:				
Consumer discretionary	164	—	0.0%	—%
Total equity securities (cost: $408 and $0 at December 31, 2016 and 2015, respectively)	**164**	**—**	0.0%	—%
Australia:				
Fixed income securities:				
Consumer discretionary	5,627	—	0.2%	—%
Energy	6,046	8,888	0.2%	0.3%
Industrials	2,926	3,657	0.1%	0.1%
Utilities	21,154	16,041	0.6%	0.6%
Total fixed income securities (cost: $37,975 and $39,574 at December 31, 2016 and 2015, respectively)	**35,753**	**28,586**	**1.1%**	**1.0%**
Equity Securities:				
Telecommunication services	—	5,370	—%	0.2%
Utilities	17,569	15,760	0.5%	0.6%
Total equity securities (cost: $18,442 and $25,524 at December 31, 2016 and 2015, respectively)	**17,569**	**21,130**	**0.5%**	**0.8%**
Total fixed income securities	**3,125,260**	**2,338,024**	**94.0%**	**91.2%**
Total equity securities	**204,943**	**221,759**	**6.0%**	**8.8%**
Total investments, at fair value	**$ 3,330,203**	**$ 2,559,783**		

At December 31, 2016 and 2015 , no single issuer or investments, including derivative instruments and underlying portfolio investments of the Consolidated Funds, had a fair value that exceeded 5.0% of the Company's total investments.

6. FAIR VALUE

Financial Instrument Valuations

The valuation techniques used by the Company to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques applied to investments held by the Company and by the Consolidated Funds vary depending on the nature of the investment.

CLO loan obligations: Prior to 2016, the Company had elected the fair value option to measure its CLO loan obligations as the Company had determined that the fair value of these obligations better correlated with the value of the assets held by the CLOs, which are held to provide the cash flows for the note obligations. The fair value of CLO liabilities was estimated based on various third-party pricing service and internal valuation models. The valuation models utilized discounted cash flows and took into consideration prepayment and loss assumptions, based on historical experience and projected performance, economic factors, the characteristics and condition of the underlying collateral, comparable yields for similar securities and recent trading activity. These securities were classified as Level III.

The Company adopted ASU 2014-13 as of January 1, 2016, under which the Company first determines whether the fair values of the financial assets or financial liabilities of its consolidated CLOs are more observable. The Company determined that the fair value of the financial assets of the consolidated CLOs, which are mostly Level II assets, are more observable than the fair value of the financial liabilities of its consolidated CLOs, which are mostly Level III liabilities. As a result, the financial assets of consolidated CLOs are measured at fair value and the financial liabilities of the consolidated CLOs are measured in consolidation as: (1) the sum of the fair value of the financial assets, and the carrying value of any nonfinancial assets held temporarily, less (2) the sum of the fair value of any beneficial interests retained by the Company (other than those that represent compensation for services), and the Company's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by the Company).

Corporate debt, bonds, bank loans, securities sold short and derivative instruments: The fair value of corporate debt, bonds, bank loans, securities sold short and derivative instruments is estimated based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs. These investments are generally classified within Level II. The Company obtains prices from independent pricing services that generally utilize broker quotes and may use various other pricing techniques, which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data. If management is only able to obtain a single broker quote, or utilize a pricing model, such securities will be classified as Level III.

Equity and equity-related securities: Securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified as Level I. Securities that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs obtained by the Company from independent pricing services are classified as Level II.

Partnership interests: The Company generally values its investments using the NAV per share equivalent calculated by the investment manager as a practical expedient to determining an independent fair value or estimates based on various valuation models of third-party pricing services, as well as internal models. The Company does not categorize within the fair value hierarchy investments where fair value is measured using the net asset value per share practical expedient.

Certain investments of the Company and the Consolidated Funds are valued at NAV per share of the fund. In limited circumstances, the Company may determine, based on its own due diligence and investment procedures, that NAV per share does not represent fair value. In such circumstances, the Company will estimate the fair value in good faith and in a manner that it reasonably chooses, in accordance with the requirements of GAAP. However, as of December 31, 2016 and 2015 , the Company believes that NAV per share represents the fair value of the investments.

The substantial majority of the Company's private commingled funds are closed-ended, and accordingly, do not permit investors to redeem their interests other than in limited circumstances that are beyond the control of the Company, such as instances in which retaining the interest could cause the investor to violate a law, regulation or rule. Investors in open-ended and evergreen funds have the right to withdraw their capital, subject to the terms of the respective constituent documents, over periods ranging from one month to three years. In addition, separately managed investment vehicles for a single fund investor may allow such investors to terminate the fund at the discretion of the investor pursuant to the terms of the applicable constituent documents of such vehicle.

Contingent consideration: The Company generally determines the fair value of its contingent consideration liabilities by using a discounted cash flow approach based on the most likely outcome. The most likely outcome is determined using the best information available, which may be based on one or more of the following factors: historical experience, prior period performance, current progress towards targets, probability-weighted scenarios, and management's own assumptions. The discount rate used is determined based on the weighted average cost of capital for the Company. The fair value of the Company's contingent consideration liabilities are classified as Level III. Contingent consideration liabilities are included within accounts payable, accrued expenses and other liabilities in the Consolidated Statements of Financial Condition.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Level III Valuations

In the absence of observable market prices, the Company values Level III investments using consistent valuation methodologies, typically market- or income-based approaches. The main inputs into the Company's valuation model for Level III securities include earnings multiples (based on the historical earnings of the issuer) and discounted cash flows. The Company may also consider original transaction price, recent transactions in the same or similar instruments, completed third-party transactions in comparable instruments and other liquidity, credit and market risk factors. The quarterly valuation process for Level III investments begins with each investment or loan being valued by the investment or valuation teams. The valuations are then reviewed and approved by the valuation committee, which consists of senior members of the investment team and other senior managers. All Level III investment values are ultimately approved by the valuation committees and designated investment professionals. For certain investments, the valuation process also includes a review by independent valuation parties, at least annually, to determine whether the fair values determined by management are reasonable. Results of the valuation process are evaluated each quarter, including an assessment of whether the underlying calculations should be adjusted. In connection with this process, the Company evaluates changes in fair value measurements from period to period for reasonableness, considering items such as industry trends, general economic and market conditions and factors specific to the investment.

Certain Level III assets are valued using prices obtained from brokers or pricing vendors. The Company typically obtains one to two non-binding broker quotes. The Company seeks to obtain at least one quote directly from a broker making a market for the asset and one price from a pricing vendor for each security or similar securities. For investments where more than one quote is received, the investments are classified as Level II. For investments where only one quote is received, the investments are classified as Level III as the quoted prices may be indicative of securities that are in an inactive market, or may require adjustment for investment-specific factors or restrictions. Generally, the Company does not adjust any of the prices received from these sources but material prices are reviewed against the Company's valuation models with a limited exception for securities that are deemed to have no value. The Company evaluates the prices obtained from brokers and pricing vendors based on available market information, including trading activity of the subject or similar securities or by performing a comparable security analysis to ensure that fair values are reasonably estimated. The Company may also perform back-testing of valuation information obtained from brokers and pricing vendors against actual prices received in transactions to validate pricing discrepancies. In addition to on-going monitoring and back-testing, the Company performs due diligence procedures over pricing vendors to understand their methodology and controls to support their use in the valuation process and to ensure compliance with required accounting disclosures.

Fair Value of Financial Instruments Held by the Company and Consolidated Funds

The tables below summarize the financial assets and financial liabilities measured at fair value for the Company and Consolidated Funds as of December 31, 2016 :

Investments of the Company, at fair value	**Level I**	**Level II**	**Level III**	**Investments Measured at NAV**	**Total**
Fixed income-collateralized loan obligations	$ —	$ —	$ 89,111	$ —	$ 89,111
Equity securities	100	—	—	—	100
Partnership interests	—	—	33,410	325,715	359,125
Total investments, at fair value	**100**	**—**	**122,521**	**325,715**	**448,336**
Derivative assets of the Company, at fair value					
Foreign exchange contracts	—	3,171	—	—	3,171
Total derivative assets, at fair value	**—**	**3,171**	**—**	**—**	**3,171**
Total	**$ 100**	**$ 3,171**	**$ 122,521**	**$ 325,715**	**$ 451,507**
Liabilities of the Company, at fair value					
Contingent considerations	$ —	$ —	$ (22,156)	$ —	$ (22,156)
Total liabilities, at fair value	**—**	**—**	**(22,156)**	**—**	**(22,156)**
Total	**$ —**	**$ —**	**$ (22,156)**	**$ —**	**$ (22,156)**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Investments of Consolidated Funds, at fair value	Level I	Level II	Level III	Total
Bonds	$ —	$ 104,886	$ 37,063	$ 141,949
Loans	—	2,606,423	199,217	2,805,640
Collateralized loan obligations	—	—	5,973	5,973
Total fixed income	**—**	**2,711,309**	**242,253**	**2,953,562**
Equity securities	56,662	17,569	130,690	204,921
Partnership interests	—	—	171,696	171,696
Other	—	24	—	24
Total investments, at fair value	**56,662**	**2,728,902**	**544,639**	**3,330,203**
Derivative assets of Consolidated Funds, at fair value				
Foreign exchange contracts	—	529	—	529
Other	—	—	291	291
Total derivative assets, at fair value	**—**	**529**	**291**	**820**
Total	**$ 56,662**	**$ 2,729,431**	**$ 544,930**	**$ 3,331,023**
Derivative liabilities of Consolidated Funds, at fair value				
Other	$ —	$ —	$ (2,999)	$ (2,999)
Total derivative liabilities, at fair value	**—**	**—**	**(2,999)**	**(2,999)**
Loan obligations of CLOs	—	(3,031,112)	—	(3,031,112)
Total	**$ —**	**$ (3,031,112)**	**$ (2,999)**	**$ (3,034,111)**

The tables below summarize the financial assets and financial liabilities measured at fair value for the Company and Consolidated Funds as of December 31, 2015 :

Investments of the Company, at fair value	Level I	Level II	Level III	Investments Measured at NAV	Total
Fixed income-collateralized loan obligations	$ —	$ —	$ 55,752	$ —	$ 55,752
Equity securities	81	—	—	—	81
Partnership interests	—	—	51,703	339,243	390,946
Total investments, at fair value	**81**	**—**	**107,455**	**339,243**	**446,779**
Derivative assets of the Company, at fair value					
Foreign exchange contracts	—	1,339	—	—	1,339
Total derivative assets, at fair value	**—**	**1,339**	**—**	**—**	**1,339**
Total	**$ 81**	**$ 1,339**	**$ 107,455**	**$ 339,243**	**$ 448,118**
Liabilities of the Company, at fair value					
Contingent considerations	$ —	$ —	$ (40,831)	$ —	$ (40,831)
Total liabilities, at fair value	**—**	**—**	**(40,831)**	**—**	**(40,831)**
Derivative liabilities of the Company, at fair value					
Foreign exchange contracts	—	(176)	—	—	(176)
Interest rate contracts	—	(214)	—	—	(214)
Total derivative liabilities, at fair value	**—**	**(390)**	**—**	**—**	**(390)**
Total	**$ —**	**$ (390)**	**$ (40,831)**	**$ —**	**$ (41,221)**

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Investments of Consolidated Funds, at fair value	Level I	Level II	Level III	Total
Bonds	$ —	$ 126,289	$ 109,023	$ 235,312
Loans	—	1,875,341	134,346	2,009,687
Collateralized loan obligations	—	—	6,121	6,121
Total fixed income	**—**	**2,001,630**	**249,490**	**2,251,120**
Equity securities	76,033	15,760	129,809	221,602
Partnership interests	—	—	86,902	86,902
Other	—	159	—	159
Total investments, at fair value	**$ 76,033**	**$ 2,017,549**	**$ 466,201**	**$ 2,559,783**
Derivative liabilities of Consolidated Funds, at fair value				
Foreign exchange contracts	$ —	$ (369)	$ —	$ (369)
Other	—	—	(10,307)	(10,307)
Total derivative liabilities, at fair value	**—**	**(369)**	**(10,307)**	**(10,676)**
Loan obligations of CLOs	—	—	(2,174,352)	(2,174,352)
Total	**$ —**	**$ (369)**	**$ (2,184,659)**	**$ (2,185,028)**

The following tables set forth a summary of changes in the fair value of the Level III measurements for the year ended December 31, 2016 :

	Level III Assets			Level III Liabilities
Level III Assets and Liabilities of the Company	Fixed Income	Partnership Interests	Total	Contingent Considerations
Balance, beginning of period	$ 55,752	$ 51,703	$ 107,455	$ 40,831
Purchases(1)	33,053	9,000	42,053	—
Sales/settlements(2)	(3,698)	—	(3,698)	(1,000)
Realized and unrealized appreciation (depreciation), net	4,004	(27,293)	(23,289)	(17,675)
Balance, end of period	**$ 89,111**	**$ 33,410**	**$ 122,521**	**$ 22,156**
Increase (decrease) in unrealized appreciation/depreciation included in earnings related to financial assets and liabilities still held at the reporting date	**$ 3,437**	**$ (7,293)**	**$ (3,856)**	**$ (17,675)**

Level III Assets of Consolidated Funds	Equity Securities	Fixed Income	Partnership Interests	Derivatives, Net	Total
Balance, beginning of period	$ 129,809	$ 249,490	$ 86,902	$ (10,307)	$ 455,894
Transfer in	—	59,790	—	—	59,790
Transfer out	(344)	(90,952)	—	—	(91,296)
Purchases(1)	15,849	167,338	65,906	—	249,093
Sales(2)	(18,029)	(125,642)	(3,606)	(81)	(147,358)
Amortized discounts/premiums	—	2,660	—	57	2,717
Realized and unrealized appreciation (depreciation), net	3,405	(20,431)	22,494	7,623	13,091
Balance, end of period	**$ 130,690**	**$ 242,253**	**$ 171,696**	**$ (2,708)**	**$ 541,931**
Increase (decrease) in unrealized appreciation/depreciation included in earnings related to financial assets still held at the reporting date	**$ 8,333**	**$ (9,391)**	**$ 22,494**	**$ 5,660**	**$ 27,096**

(1) Purchases include paid-in-kind interest and securities received in connection with restructurings.
(2) Sales/settlements include distributions, principal redemptions and securities disposed of in connection with restructurings

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The following tables set forth a summary of changes in the fair value of the Level III measurements for the year ended December 31, 2015 :

	Level III Assets			Level III Liabilities
Level III Assets and Liabilities of the Company	Fixed Income	Partnership Interests	Total	Contingent Considerations
Balance, beginning of period	$ —	$ 45,348	$ 45,348	$ 2,049
Investment in deconsolidated fund(3)	17,815	—	17,815	—
Purchases(1)	51,287	11,000	62,287	59,171
Sales/settlements(2)	(7,567)	(4,645)	(12,212)	(1,000)
Realized and unrealized appreciation (depreciation), net	(5,783)	—	(5,783)	(19,389)
Balance, end of period	**$ 55,752**	**$ 51,703**	**$ 107,455**	**$ 40,831**
Increase (decrease) in unrealized appreciation/depreciation included in earnings related to financial assets and liabilities still held at the reporting date	**$ (7,076)**	**$ —**	**$ (7,076)**	**$ (19,389)**

(1) Purchases include paid-in-kind interest and securities received in connection with restructurings.
(2) Sales/settlements include distributions, principal redemptions and securities disposed of in connection with restructurings
(3) Balance for the Company was previously eliminated upon consolidation and not reported as Level III investments.

Level III Assets of Consolidated Funds	Equity Securities	Fixed Income	Partnership Interests	Derivatives, Net	Total
Balance, beginning of period	$ 3,263,311	$ 2,192,395	$ 137,272	$ (20,993)	$ 5,571,985
Deconsolidation of funds(3)	(3,080,402)	(1,897,304)	(137,272)	12,980	(5,101,998)
Transfer in	—	27,195	—	—	27,195
Transfer out	(17,281)	(77,100)	—	—	(94,381)
Purchases(1)	23,607	113,506	98,000	—	235,113
Sales(2)	(65,676)	(96,525)	(13,300)	2,384	(173,117)
Amortized discounts/premiums	—	862	—	(484)	378
Realized and unrealized appreciation (depreciation), net	6,250	(13,539)	2,202	(4,194)	(9,281)
Balance, end of period	**$ 129,809**	**$ 249,490**	**$ 86,902**	**$ (10,307)**	**$ 455,894**
Increase (decrease) in unrealized appreciation/depreciation included in earnings related to financial assets still held at the reporting date	**$ 1,595**	**$ (12,881)**	**$ —**	**$ (4,521)**	**$ (15,807)**

(1) Purchases include paid-in-kind interest and securities received in connection with restructurings.
(2) Sales/settlements include distributions, principal redemptions and securities disposed of in connection with restructurings
(3) Represents investment in Consolidated Funds that were deconsolidated during the period.

The Company recognizes transfers between the levels as of the beginning of the period. Transfers out of Level III were generally attributable to certain investments that experienced a more significant level of market activity during the period and thus were valued using observable inputs either from independent pricing services or multiple brokers. Transfers into Level III were generally attributable to certain investments that experienced a less significant level of market activity during the period and thus were only able to obtain one or fewer quotes from a broker or independent pricing service. For the year ended December 31, 2016 and 2015 , there were no transfers between Level I and Level II.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The following table sets forth a summary of changes in the fair value of the Level III liabilities for the CLO loan obligations for the years ended December 31, 2016 and 2015 :

	For the Year Ended December 31,	
	2016	2015
Balance, beginning of period	$ 2,174,352	$ 12,049,019
Accounting change due to the adoption of ASU 2014-13(1)	(2,174,352)	—
Deconsolidation of funds	—	(10,264,884)
Borrowings	—	602,077
Paydowns	—	(61,569)
Realized and unrealized gains, net	—	(150,291)
Balance, end of period	**$ —**	**$ 2,174,352**

(1) Upon adoption of ASU 2014-13, the debt obligations of consolidated CLOs are no longer considered Level III financial liabilities under the GAAP fair value hierarchy. As of January 1, 2016, the debt obligations of consolidated CLOs are measured on the basis of the fair value of the financial assets of the CLO and are classified as Level II financial liabilities.

The following table summarizes the quantitative inputs and assumptions used for the Company's Level III measurements as of December 31, 2016 :

	Fair Value	Valuation Technique(s)	Significant Unobservable Input(s)	Range
Assets				
Partnership interests	$ 33,410	Other	N/A	N/A
Collateralized loan obligations	89,111	Broker quotes and/or 3rd party pricing services	N/A	N/A
Total	**$ 122,521**			
Liabilities				
Contingent consideration liabilities				
	$ 20,278	Other	N/A	N/A
	1,878	Discounted cash flow	Discount rate	6.5%
Total	**$ 22,156**			

The following table summarizes the quantitative inputs and assumptions used for the Company's Level III measurements as of December 31, 2015 :

	Fair Value	Valuation Technique(s)	Significant Unobservable Input(s)	Range
Assets				
Partnership interests	$ 40,703	Discounted cash flow	Discount Rate	10%
Partnership interests	11,000	Recent transaction price(1)	N/A	N/A
Collateralized loan obligations	55,752	Broker quotes and/or 3rd party pricing services	N/A	N/A
Total	**$ 107,455**			
Liabilities				
Contingent consideration liabilities	$ 40,831	Discounted cash flow	Discount rate	4.4% - 6.8%
			Commitment period revenue	$0 - $75,000
Total	**$ 40,831**			

(1) Recent transaction price consists of securities recently purchased or restructured. The Company determined that there was no change to the valuation based on the underlying assumptions used at the closing of such transactions.

Ares Management, L.P.

Notes to the Consolidated Financial Statements (Dollars in Thousands, Except Share Data and As Otherwise Noted)

The following table summarizes the quantitative inputs and assumptions used for the Consolidated Funds' Level III measurements as of December 31, 2016 :

	Fair Value	Valuation Technique(s)	Significant Unobservable Input(s)	Range	Weighted Average
Assets					
Equity securities					
	$ 43,011	EV market multiple analysis	EBITDA multiple(2)	2.0x - 11.2x	2.3x
	32,598	Market approach (comparable companies)	Net income multiple Illiquidity discount	30.0x - 40.0x 25.0%	35.0x 25.0%
	421	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
	171,696	Discounted cash flow	Discount rate	20.0%	20.0%
	54,660	Recent transaction price(1)	N/A	N/A	N/A
Fixed income securities					
	170,231	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
	6,693	EV market multiple analysis	EBITDA multiple(2)	7.1x	7.1x
	5,473	Income approach	Collection rates	1.2x	1.2x
	28,595	Income approach	Yield	6.0% - 13.6%	10.9%
	24,052	Discounted cash flow	Discount rate	7.8% - 15.3%	11.1%
	1,776	Market approach (comparable companies)	EBITDA multiple(2)	6.5x	6.5x
	4,887	Recent transaction price(1)	N/A	N/A	N/A
	546	Market approach	EBITDA Multiple	6.1x	6.1x
Derivative instruments of Consolidated Funds	291	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
Total assets	**$ 544,930**				
Liabilities					
Derivatives instruments of Consolidated Funds	$ 2,999	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
Total liabilities	**$ 2,999**				

(1) Recent transaction price consists of securities recently purchased or restructured. The Company determined that there was no change to the valuation based on the underlying assumptions used at the closing of such transactions.
(2) "EBITDA" in the table above is a Non-GAAP financial measure and refers to earnings before interest, tax, depreciation and amortization.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The following table summarizes the quantitative inputs and assumptions used for the Consolidated Funds' Level III measurements as of December 31, 2015 :

	Fair Value	Valuation Technique(s)	Significant Unobservable Input(s)	Range	Weighted Average
Assets					
Equity securities					
	$ 42,887	EV market multiple analysis	EBITDA multiple(2)	1.6x - 10.4x	4.1x
	73,686	Market approach (comparable companies)	Net income multiple	10.0x - 40.0x	21.7x
	344	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
	12,891	Recent transaction price(1)	N/A	N/A	N/A
	86,902	Discounted cash flow	Discount rate	14.0%	14.0%
Fixed income securities					
	22,934	EV market multiple analysis	EBITDA multiple(2)	1.6x - 11.0x	7.8x
	1,626	Market approach (comparable companies)	EBITDA multiple(2)	6.5x	6.5x
	130,131	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
	5,516	Discounted cash flow	Discount rate	11.0% - 15.3%	12.7%
	84,464	Income approach	Yield	3.3% - 13.3%	9.1%
	1,133	Income approach	Collection rates	1.2x	1.2x
	3,687	Income approach	Constant prepayment rate Constant default rate Recovery rate	5.0% - 10.0% 11.9% - 25.1% 0.0% - 40.0%	7.1% 14.6% 16.8%
Total assets	**$ 466,201**				
Liabilities					
Loans payable of Consolidated Funds:					
Fixed income	$ 2,146,255	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
	28,097	Discounted cash flow	Discount rate Constant prepayment rate Constant default rate Recovery rate	8.0% - 10.0% 19.7% - 20.0% 2.0% 70.0% - 71.1%	8.7% 19.8% 2.0% 70.8%
Derivatives instruments of Consolidated Funds	10,307	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
Total liabilities	**$ 2,184,659**				

(1) Recent transaction price consists of securities purchased or restructured. The Company determined that there has been no change to the valuation based on the underlying assumptions used at the closing of such transactions.
(2) "EBITDA" in the table above is a Non-GAAP financial measure and refers to earnings before interest, tax, depreciation and amortization.

For investments valued using net asset value ("NAV") per share, a summary of fair value by segment along with the remaining unfunded commitment and any redemption restrictions of such investments are presented below:

	As of December 31, 2016		As of December 31, 2015		
Segment	**Fair Value**	**Unfunded Commitments**	**Fair Value**	**Unfunded Commitments**	**Redemption Restriction(s)**
Credit Group	$ 53,131	$ 30,896	$ 98,251	$ 89,917	(1)(2)(3)
Private Equity Group	181,096	96,687	157,234	78,700	(1)
Real Estate Group	71,669	35,708	56,547	99,802	(1)
Operations Management Group	19,819	34,500	27,211	22,789	(1)(2)
Totals	**$ 325,715**	**$ 197,791**	**$ 339,243**	**$ 291,208**	

(1) Includes certain closed-ended funds that do not permit investors to redeem their interests.
(2) Includes certain open-ended funds that require a redemption notice of zero to sixty days before the redemption date, after which an investor has the right to withdraw its capital.
(3) Includes certain funds that are separately managed investment vehicles, which may be redeemed only upon dissolution or liquidation of the fund at the discretion of a simple majority of investors.

7. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company and the Consolidated Funds are exposed to certain risks relating to their ongoing operations and use various types of derivative instruments primarily to mitigate against credit and foreign exchange risk. The derivative instruments used by the Company and Consolidated Funds include warrants, currency options, interest rate swaps, credit default swaps and forward contracts. The derivative instruments are not designated as hedging instruments under the accounting standards for derivatives and hedging. The Company recognizes all of its derivative instruments at fair value as either assets or liabilities in the Consolidated Statements of Financial Condition within other assets or accounts payable, accrued expenses and other liabilities, respectively.

By using derivatives, the Company and the Consolidated Funds are exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, the Company's counterparty credit risk is equal to the amount reported as a derivative asset in the Consolidated Statements of Financial Condition. The Company minimizes counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate.

To the extent the master netting arrangements and other criteria meet the applicable requirements, which includes determining the legal enforceability of the arrangements, the Company may choose to offset the derivative assets and liabilities in the same currency by specific derivative type, or in the event of default by the counterparty, offset derivative assets and liabilities with the same counterparty. The Company generally presents derivative and other financial instruments on a gross basis within the Consolidated Statements of Financial Condition, with certain instruments subject to enforceable master netting arrangements that could allow for the derivative and other financial instruments to be offset. The Consolidated Funds present derivative and other financial instruments on a net basis. This election is determined at management's discretion on a fund by fund basis. The Company has retained each Consolidated Fund's presentation upon consolidation.

Qualitative Disclosures of Derivative Financial Instruments

Derivative instruments are marked-to-market daily based upon quotations from pricing services or by the Company and the change in value, if any, is recorded as an unrealized gain (loss) within net realized and unrealized gain (loss) on investments in the Consolidated Statements of Operations. Upon settlement of the instrument, the Company records the realized gain (loss) within net realized and unrealized gain (loss) on investments in the Consolidated Statements of Operations.

Significant derivative instruments utilized by the Company and the Consolidated Funds during the reporting periods presented include the following:

Forward Foreign Currency Contracts: The Company and the Consolidated Funds enter into foreign currency forward exchange contracts to hedge against foreign currency exchange rate risk on certain non-U.S. dollar denominated cash flows. When entering into a forward currency contract, the Company and the Consolidated Funds agree to receive and/or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed-upon future date. Forward foreign currency contracts involve elements of market risk in excess of the amounts reflected in the Consolidated Statements of Financial Condition. The Company and the Consolidated Funds bear the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. In addition, the potential inability of the counterparties to meet the terms of their contracts poses a risk to the Company and the Consolidated Funds.

Interest Rate Swaps: The Company and the Consolidated Funds enter into interest rate swap contracts to mitigate their interest rate risk exposure to higher floating interest rates. Interest rate swaps represent an agreement between two counterparties to exchange cash flows based on the difference in two interest rates, applied to the notional principal amount for a specified period. The payment flows are generally netted, with the difference being paid by one party to the other. The interest rate swap contracts effectively mitigate the Company and the Consolidated Funds' exposure to interest rate risk by converting a portion of the Company and the Consolidated Funds' floating rate debt to a fixed rate basis.

Credit Default Swaps: In prior years, the Consolidated Funds entered into credit default swap contracts for investment purposes and to manage credit risk, receiving in return a periodic stream of payments over the term of the contract. The Consolidated Funds also purchased credit default swap contracts to mitigate the risk of default by issuers of debt securities held. As a purchaser of a credit default swap contract, the Consolidated Fund received the notional or other agreed upon value from the counterparty, and in return, the Consolidated Fund made periodic payments to the counterparty over the term of the contract. The Consolidated Funds no longer enter into or purchase credit default swap contracts.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Quantitative Disclosures of Derivative Financial Instruments

The following tables identify the fair value and notional amounts of derivative contracts by major product type on a gross basis for the Company and the Consolidated Funds as of December 31, 2016 and 2015 . These amounts may be offset (to the extent that there is a legal right to offset) and presented on a net basis within other assets or accounts payable, accrued expenses and other liabilities in the Consolidated Statements of Financial Condition:

	As of December 31, 2016				As of December 31, 2015			
	Assets		Liabilities		Assets		Liabilities	
The Company	**Notional(1)**	**Fair Value**	**Notional(1)**	**Fair Value**	**Notional(1)**	**Fair Value**	**Notional(1)**	**Fair Value**
Interest rate contracts	$ —	$ —	$ —	$ —	$ —	$ —	$ (250,000)	$ (214)
Foreign exchange contracts	62,830	3,171	—	—	94,634	1,339	(53,245)	(176)
Total derivatives, at fair value	**$ 62,830**	**$ 3,171**	**$ —**	**$ —**	**$ 94,634**	**$ 1,339**	**$ (303,245)**	**$ (390)**

	As of December 31, 2016				As of December 31, 2015			
	Assets		Liabilities		Assets		Liabilities	
Consolidated Funds	**Notional(1)**	**Fair Value**	**Notional(1)**	**Fair Value**	**Notional(1)**	**Fair Value**	**Notional(1)**	**Fair Value**
Foreign exchange contracts	$ 25,304	$ 529	$ —	$ —	$ —	$ —	$ (25,572)	$ (369)
Other financial instruments	3,575	291	(204)	(2,999)	—	—	(4,063)	(10,307)
Total derivatives, at fair value	**28,879**	**820**	**(204)**	**(2,999)**	**—**	**—**	**(29,635)**	**(10,676)**
Other—equity(2)	253	24	—	—	522	159	—	—
Total	**$ 29,132**	**$ 844**	**$ (204)**	**$ (2,999)**	**$ 522**	**$ 159**	**$ (29,635)**	**$ (10,676)**

(1) Represents the total contractual amount of derivative assets and liabilities outstanding.
(2) Includes the fair value of warrants which are presented as equity securities within investments of the Consolidated Funds in the Consolidated Statements of Financial Condition.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The following tables present a summary of net realized gains (losses) and unrealized appreciation (depreciation) on the Company's derivative instruments, which are included within net realized and unrealized gain (loss) on investments in the Consolidated Statements of Operations, for the years ended December 31, 2016 , 2015 and 2014 :

	For the Year Ended December 31,		
The Company	**2016**	**2015**	**2014**
Net realized gain (loss) on derivatives			
Interest rate contracts—Swaps	$ (337)	$ (1,318)	$ (1,368)
Foreign exchange contracts:			
Purchased options	—	2,022	—
Foreign currency forward contracts	1,783	8,379	3,330
Net realized gain on derivatives	**$ 1,446**	**$ 9,083**	**$ 1,962**
Net change in unrealized appreciation (depreciation) on derivatives			
Interest rate contracts—Swaps	$ 214	$ 633	$ 407
Foreign exchange contracts:			
Purchased options	—	(1,057)	1,076
Foreign currency forward contracts	2,008	(2,556)	5,034
Total net change in unrealized appreciation (depreciation) on derivatives	**$ 2,222**	**$ (2,980)**	**$ 6,517**

	For the Year Ended December 31,		
Consolidated Funds	**2016**	**2015**	**2014**
Net realized gain (loss) on derivatives of Consolidated Funds			
Interest rate contracts:			
Swaps	$ —	$ —	$ (513)
Interest rate caps/floor	—	—	276
Equity contracts:			
Warrants(1)	—	—	3,583
Foreign exchange contracts:			
Purchased options	—	—	341
Foreign currency forward contracts	(1,008)	3,752	(15,763)
Written options	—	—	(116)
Credit contracts—Swaps	—	—	(33,044)
Other—Swaps	(1,322)	(4,332)	(2,463)
Net realized gain (loss) on derivatives of Consolidated Funds	**$ (2,330)**	**$ (580)**	**$ (47,699)**
Net change in unrealized appreciation (depreciation) on derivatives of Consolidated Funds			
Interest rate contracts:			
Swaps	$ —	$ —	$ 1,471
Interest rate caps/floor	—	—	269
Equity contracts:			
Warrants(1)	26	(71)	(13,190)
Foreign currency forward contracts	—	—	(1,906)
Foreign exchange contracts:			
Purchased options	—	—	1,668
Foreign currency forward contracts	900	(1,867)	11,775
Written options	—	—	(402)
Swaps	—	—	842
Credit contracts—Swaps	—	—	10,032
Other:			
Purchased options	—	—	16
Swaps	7,685	(2,934)	(1,142)
Total net change in unrealized appreciation (depreciation) on derivatives of Consolidated Funds	**$ 8,611**	**$ (4,872)**	**$ 9,433**

(1) Realized and unrealized gains (losses) on warrants are also reflected in the changes presented on the investment footnote table.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The table below sets forth the rights of offset and related arrangements associated with the Company's derivative and other financial instruments as of December 31, 2016 and 2015 . The column titled "Gross Amounts Not Offset in the Statement of Financial Position" in the table below relates to derivative instruments that are eligible to be offset in accordance with applicable accounting guidance but for which management has elected not to offset in the Consolidated Statements of Financial Condition.

The Company as of December 31, 2016	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Assets (Liabilities)	Net Amounts of Assets (Liabilities) Presented	Gross Amount Not Offset in the Statement of Financial Position Financial Instruments	Net Amount
Assets:					
Derivatives	$ 3,171	$ —	$ 3,171	$ —	$ 3,171
Liabilities:					
Derivatives	—	—	—	—	—
Net derivatives assets	**$ 3,171**	**$ —**	**$ 3,171**	**$ —**	**$ 3,171**

The Company as of December 31, 2015	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Assets (Liabilities)	Net Amounts of Assets (Liabilities) Presented	Gross Amount Not Offset in the Statement of Financial Position Financial Instruments	Net Amount
Assets:					
Derivatives	$ 1,339	$ —	$ 1,339	$ (176)	$ 1,163
Liabilities:					
Derivatives	(390)	—	(390)	176	(214)
Net derivatives assets	**$ 949**	**$ —**	**$ 949**	**$ —**	**$ 949**

The table below sets forth the rights of offset and related arrangements associated with the Consolidated Funds' derivative and other financial instruments as of December 31, 2016 and 2015 . The column titled "Gross Amounts Not Offset in the Statement of Financial Position" in the table below relates to derivative instruments that are eligible to be offset in accordance with applicable accounting guidance but for which management has elected not to offset in the Consolidated Statements of Financial Condition.

Consolidated Funds as of December 31, 2016	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Assets (Liabilities)	Net Amounts of Assets (Liabilities) Presented	Gross Amounts Not Offset in the Statement of Financial Position Financial Instruments	Net Amount
Assets:					
Derivatives	$ 2,243	$ (1,423)	$ 820	$ —	$ 820
Liabilities:					
Derivatives	(4,422)	1,423	(2,999)	—	(2,999)
Net derivatives liabilities	**$ (2,179)**	**$ —**	**$ (2,179)**	**$ —**	**$ (2,179)**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Consolidated Funds as of December 31, 2015	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Assets (Liabilities)	Net Amounts of Assets (Liabilities) Presented	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Net Amount
Assets:					
Derivatives	$ 85	$ (85)	$ —	$ —	$ —
Liabilities:					
Derivatives	(10,761)	85	(10,676)	—	(10,676)
Net derivatives liabilities	**$ (10,676)**	**$ —**	**$ (10,676)**	**$ —**	**$ (10,676)**

8. DEBT

The following table summarizes the Company's and its subsidiaries' debt obligations:

	Maturity	Original Borrowing Amount	As of December 31, 2016: Carrying Value	As of December 31, 2016: Interest Rate	As of December 31, 2015: Carrying Value	As of December 31, 2015: Interest Rate
Credit Facility(1)	4/30/2019	N/A	$ —	—	$ 110,000	2.11%
Senior Notes(2)	10/8/2024	$ 250,000	244,684	4.21%	244,077	4.21%
2015 Term Loan(3)	7/29/2026	$ 35,250	35,063	2.74%	35,043	2.18%
2016 Term Loan(4)	1/15/2029	$ 26,376	26,037	2.66%	—	N/A
Total debt obligations			**$ 305,784**		**$ 389,120**	

(1) The AOG entities are borrowers under the Credit Facility, which provides a $1.03 billion revolving line of credit with the ability to upsize to $1.28 billion (subject to obtaining commitments for any such additional borrowing capacity). It has a variable interest rate based on either LIBOR or a base rate plus an applicable margin with an unused commitment fee paid quarterly, which is subject to change with the Company's underlying credit agency rating. As of December 31, 2016, base rate loans bear interest calculated based on the base rate plus 0.75% and the LIBOR rate loans bear interest calculated based on LIBOR plus 1.75%. The unused commitment fee is 0.25% per annum. There is a base rate and LIBOR floor of zero .

(2) The Senior Notes were issued in October 2014 by Ares Finance Co. LLC ("AFC"), a subsidiary of the Company, at 98.268% of the face amount with interest paid semi-annually. The Company may redeem the Senior Notes prior to maturity, subject to the terms of the indenture .

(3) The 2015 Term Loan was entered into in August 2015 by a subsidiary of the Company that acts as a manager to a CLO. The 2015 Term Loan is secured by collateral in the form of CLO senior tranches owned by the Company. To the extent the assets are not sufficient to cover the Term Loan, there is no further recourse to the Company to fund or repay the remaining balance. Interest is paid quarterly, and the Company also pays a fee of 0.025% of a maximum investment amount .

(4) The 2016 Term Loan was entered into in December 2016 by a subsidiary of the Company that acts as a manager to a CLO. The 2016 Term Loan is secured by collateral in the form of CLO senior tranches and subordinated notes owned by the Company. To the extent the assets are not sufficient to cover the Term Loan, there is no further recourse to the Company to fund or repay the remaining balance. Interest is paid quarterly, and the Company also pays a fee of 0.03% of a maximum investment amount.

Debt obligations of the Company and its subsidiaries are reflected at cost in the Consolidated Statements of Financial Condition. As of December 31, 2016 , the Company and its subsidiaries were in compliance with all covenants under the Credit Facility, Senior Notes and Term Loan obligations.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The Company typically incurs and pays debt issuance costs when entering into a new debt obligation or when amending an existing debt agreement. Debt issuance costs may be recorded as a reduction of the corresponding debt obligation and are amortized over the term of the obligation. The following table shows the activity of the Company's debt issuance costs:

	Credit Facility(1)	Senior Notes(2)	Term Loans(2)	AFC II Notes(3)
Unamortized debt issuance costs as of December 31, 2014	$ 5,330	$ 2,261	$ —	$ —
Debt issuance costs incurred	2,271	6	214	3,709
Amortization of debt issuance costs	(1,360)	(232)	(7)	(75)
Debt extinguishment expense	—	—	—	(3,634)
Unamortized debt issuance costs as of December 31, 2015	6,241	2,035	207	—
Debt issuance costs incurred	548	—	340	—
Amortization of debt issuance costs	(1,989)	(232)	(21)	—
Unamortized debt issuance costs as of December 31, 2016	**$ 4,800**	**$ 1,803**	**$ 526**	**$ —**

(1) Unamortized debt issuance costs of the Credit Facility are included in other assets in the Consolidated Statements of Financial Condition.

(2) Unamortized debt issuance costs of the Senior Notes and Term Loans are included in the net carrying value of the Company's debt obligations in the Consolidated Statements of Financial Condition.

(3) Represents $325.0 million aggregate principal amount of 5.250% senior notes (the "AFC II Notes") issued by a subsidiary of the Company in August 2015 and subsequently redeemed in November 2015. The related debt issuance costs and discount were written off at the time of redemption.

Loan Obligations of the Consolidated CLOs

Loan obligations of the Consolidated Funds that are CLOs ("Consolidated CLOs") represent amounts due to holders of debt securities issued by the Consolidated CLOs. The Company measures the loan obligations of the Consolidated CLOs using the fair value of the financial assets of its Consolidated CLOs. Several of the Consolidated CLOs issued preferred shares representing the subordinated interests that are mandatorily redeemable upon the maturity dates of the senior secured loan obligations. As a result, these shares have been classified as liabilities and are included in CLO loan obligations in the Consolidated Statements of Financial Condition.

As of December 31, 2016 and 2015 , the following loan obligations were outstanding and classified as liabilities of the Company's Consolidated CLOs:

	As of December 31, 2016			As of December 31, 2015		
	Loan Obligations	Fair Value of Loan Obligations	Weighted Average Remaining Maturity In Years	Loan Obligations	Fair Value of Loan Obligations	Weighted Average Remaining Maturity In Years
Senior secured notes(1)	$ 2,839,779	$ 2,841,440	9.68	$ 2,101,506	$ 2,054,123	9.55
Subordinated notes(2)	284,046	189,672	9.97	194,443	120,229	9.53
Total loan obligations of Consolidated CLOs	**$ 3,123,825**	**$ 3,031,112**		**$ 2,295,949**	**$ 2,174,352**	

(1) Original borrowings under the senior secured notes totaled $3 billion , with various maturity dates ranging from October 2024 to February 2030. The weighted average interest rate as of December 31, 2016 was 3.55% .

(2) Original borrowings under the subordinated notes totaled $256 million , with various maturity dates ranging from October 2024 to February 2030. They do not have contractual interest rates, but instead receive distributions from the excess cash flows generated by each Consolidated CLO.

Loan obligations of the Consolidated CLOs are collateralized by the assets held by the Consolidated CLOs, consisting of cash and cash equivalents, corporate loans, corporate bonds and other securities. The assets of one Consolidated CLO may not be used to satisfy the liabilities of another Consolidated CLO. Loan obligations of the Consolidated CLOs include floating rate notes, deferrable floating rate notes, revolving lines of credit and subordinated notes. Amounts borrowed under the notes are repaid based on available cash flows subject to priority of payments under each Consolidated CLO's governing documents. Based on the terms of these facilities, the creditors of the facilities have no recourse to the Company.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Credit Facilities of the Consolidated Funds

Certain Consolidated Funds maintain credit facilities to fund investments between capital drawdowns. These facilities generally are collateralized by the unfunded capital commitments of the Consolidated Funds' limited partners, bear an annual commitment fee based on unfunded commitments and contain various affirmative and negative covenants and reporting obligations, including restrictions on additional indebtedness, liens, margin stock, affiliate transactions, dividends and distributions, release of capital commitments and portfolio asset dispositions. The creditors of these facilities have no recourse to the Company. Credit facilities of the Consolidated Funds are reflected at cost in the Consolidated Statements of Financial Condition. As of December 31, 2016 and 2015 , the Consolidated Funds were in compliance with all financial and non-financial covenants under such credit facilities.

The Consolidated Funds had the following revolving bank credit facilities outstanding as of December 31, 2016 and 2015 :

			As of December 31, 2016			As of December 31, 2015	
Type of Facility	**Maturity Date**	**Total Capacity**	**Outstanding Loan(1)**	**Effective Rate**		**Outstanding Loan(1)**	**Effective Rate**
Consolidated Funds credit facility	1/1/2023	$ 18,000	$ 12,942	2.38%		$ 11,734	2.00%
Consolidated Funds credit facility	6/30/2018	$ 42,128	42,128	1.55%	(2)	—	N/A
Total borrowings of Consolidated Funds			**$ 55,070**			**$ 11,734**	

(1) The fair values of the borrowings approximate the carrying value, as the interest rate on the borrowings is a floating rate.
(2) The effective rate is based on the three month EURIBOR plus an applicable margin.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

9. REDEEMABLE INTERESTS AND EQUITY COMPENSATION PUT OPTION LIABILITY

The following table sets forth a summary of changes in the redeemable interests and equity compensation put option liability in Consolidated Funds as of December 31, 2016 , 2015 and 2014 :

	As of December 31,		
	2016	2015	2014
Redeemable interests in Ares Operating Group Entities			
Beginning balance	$ 23,505	$ 23,988	$ 40,751
Net income	—	—	164
Distributions	—	—	(1,313)
Currency translation adjustment	—	—	9
Equity compensation	—	—	234
Tandem award compensation adjustment	—	—	(15,898)
Equity Balance Post-Reorganization	**23,505**	**23,988**	**23,947**
Issuance cost	—	—	(124)
Allocation of contributions in excess of the carrying value of the net assets (dilution)	—	—	910
Reallocation of Partners' capital for change in ownership interest	—	82	(900)
Deferred tax liabilities arising from allocation of contribution and Partners' capital	—	(1)	—
Redemption of redeemable interest in consolidated subsidiary	(20,000)	—	—
Forfeiture of equity in connection with redemption of ownership interest	(3,337)	—	—
Distributions	(661)	(998)	(477)
Net income	456	338	567
Currency translation adjustment	(47)	(36)	(16)
Equity compensation	84	132	81
Ending Balance	**$ —**	**$ 23,505**	**$ 23,988**

Upon acquisition of Indicus Advisors, LLP (“Indicus”) in November 2011, certain former owners of Indicus, who became employees of the Company (“Indicus Owners”), exchanged their respective equity interests in Indicus for a 1% ownership interest (the “Equity Interest”) in the Predecessor entities of the Company. One-half of the Equity Interest was fully vested, was determined to be consideration exchanged pursuant to the acquisition (the “Purchase Consideration”) and was classified as redeemable interest. The remaining one-half of the Equity Interest was classified as a tandem award. The tandem award was comprised of a service condition that vested on the earlier of the fifth anniversary of the award date or a qualifying liquidity event (the “Service Award”), and a put option on their Equity Interest was a strike price of $40 million exercisable at a future date (the “Fixed Price Put Option”). The Fixed Price Put Option was not detachable from the Equity Interest. The Company determined that the Fixed Price Put Option did not require bifurcation from the host contract and that the Equity Interest is not mandatorily redeemable. The two parts of the Equity Interest, the Purchase Consideration and the Service Award, were accounted for separately.

The Purchase Consideration was classified in the redeemable interest in Ares Operating Group to be paid in cash in an amount equal to $20 million , with the residual value reclassified to permanent equity. The put option liability portion of the Service Award of $20 million was classified as a liability to be paid in cash in an amount equal to $20.0 million .

In July 2016, the Indicus Owners exercised their Fixed Price Put Option. The Company paid the Indicus Owners $40 million with $20 million recorded as a reduction to the put option liability, and $20 million recorded as a reduction to the redeemable interest in AOG entities. The residual value of the redeemable interest in the AOG entities of $3.3 million was reclassified to permanent equity. The payment to settle the put option resulted in an increase in tax basis. In connection with this payment, a liability was recorded for the Company’s obligations under the tax receivable agreement (“TRA”) with respect to the tax savings that resulted from the amortization of the increased basis.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

10. OTHER ASSETS

The components of other assets as of December 31, 2016 and 2015 were as follows:

	As of December 31,	
	2016	**2015**
Other assets of the Company:		
Accounts and interest receivable	$ 1,071	$ 2,111
Fixed assets, net	40,759	38,147
Other assets	23,735	22,717
Total other assets of Company	**$ 65,565**	**$ 62,975**
Other assets of Consolidated Funds:		
Income tax and other receivables	2,501	1,348
Total other assets of Consolidated Funds	**$ 2,501**	**$ 1,348**

Fixed Assets, Net

Fixed assets included the following as of December 31, 2016 and 2015 :

	Year Ended December 31,	
	2016	**2015**
Furniture	$ 8,498	$ 7,946
Office and computer equipment	16,712	15,039
Internal use software	10,974	5,039
Leasehold improvements	40,994	40,167
Fixed assets, at cost	77,178	68,191
Less: accumulated depreciation	(36,419)	(30,044)
Fixed assets, net	**$ 40,759**	**$ 38,147**

For the years ended December 31, 2016 , 2015 and 2014 , depreciation expense was $8.2 million , $6.9 million and $7.3 million , respectively, which is included in general, administrative and other expense in the Consolidated Statements of Operations.

11. COMMITMENTS AND CONTINGENCIES

Indemnification Arrangements

Consistent with standard business practices in the normal course of business, the Company enters into contracts that contain indemnities for affiliates of the Company, persons acting on behalf of the Company or such affiliates and third parties. The terms of the indemnities vary from contract to contract and the Company's maximum exposure under these arrangements cannot be determined and has not been recorded in the Consolidated Statements of Financial Condition. As of December 31, 2016 , the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Commitments

As of December 31, 2016 and 2015 , the Company had aggregate unfunded commitments of $535.3 million and $436.4 million , respectively, including commitments to both non-consolidated funds and Consolidated funds.

As of December 31, 2016 , Company had $34.5 million in unfunded commitments to invest in certain funds managed by Kayne Anderson Capital Advisors, L.P.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

In connection with the acquisition of EIF, contingent consideration is payable to EIF's former membership interest holders if certain funds and co-investment vehicles meet certain revenue and fee paying commitment targets during their commitment periods. The fair value of the liability for contingent consideration as of the acquisition date was $59.2 million and is subject to change until the liability is settled with the related impact recorded to the Company's Consolidated Statements of Operations within other income (expense), net. During the years ended December 31, 2016 and 2015 , the Company reduced its contingent consideration liability, resulting in gains of $17.8 million and $21.1 million , respectively, that were recorded within other income, net within the Consolidated Statements of Operations. As of December 31, 2016 and 2015 , the estimated fair value of the contingent consideration liability was $20.3 million and $38.1 million , respectively, as a result of subsequent remeasurement of future fee payments.

ARCC and American Capital, Ltd. Merger Agreement

On January 3, 2017, ARCC and American Capital, Ltd. ("ACAS") completed a definitive merger agreement valued at approximately $4.2 billion (the "ARCC-ACAS Transaction"). To support the ARCC-ACAS Transaction, the Company, through its subsidiary Ares Capital Management LLC, which serves as the investment adviser to ARCC, provided approximately $275 million of cash consideration, or $1.20 per share of ACAS common stock, payable to ACAS shareholders in accordance with the terms and conditions set forth in the merger agreement at the closing of the ARCC-ACAS Transaction. In addition, the Company agreed to waive up to $10 million per quarter of ARCC's Part I fees for ten calendar quarters, beginning in the second quarter of 2017.

Operating Leases

The Company's operating lease agreements are generally subject to escalation provisions on base rental payments, as well as certain costs incurred by the property owner and are recognized on a straight-line basis over the term of the lease agreement. Rent expense includes base contractual rent. Rent expense for the years ended December 31, 2016 , 2015 and 2014 was $26.4 million , $18.5 million and $17.9 million , respectively, and is recorded within general, administrative and other expenses in the Consolidated Statements of Operations. The leases expire in various years ranging from 2017 to 2027.

The future minimum commitments for the Company's operating leases are as follows:

2017	$	23,940
2018		25,615
2019		25,351
2020		21,333
2021		17,018
Thereafter		69,564
Total	**$**	**182,821**

Guarantees

The Company guaranteed loans provided to certain professionals to support the professionals investments in affiliated co-investment entities, permitting these professionals to invest alongside the Company and its investors in the funds managed by the Company. The total committed and outstanding loan balances were not material as of December 31, 2016 and 2015 .

On July 30, 2014, AM LLC agreed to provide credit support to a $75.0 million credit facility, (the "Guaranteed Facility") entered into by a wholly owned subsidiary of Ares Commercial Real Estate Corporation ("ACRE") with a national banking association. The Guaranteed Facility was extended through September 30, 2016, at which time the credit facility was repaid and the Guaranteed Facility expired.

Performance Fees

Generally, if at the termination of a fund (and increasingly at interim points in the life of a fund), the fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, the Company will be obligated to repay carried interest that was received by the Company in excess of the amounts to which the Company is entitled. This contingent obligation is normally reduced by income taxes paid by the Company related to its carried interest.

At December 31, 2016 and 2015 , if the Company assumed all existing investments were worthless, the amount of performance fees subject to potential repayment, net of tax, which may differ from the recognition of revenue, would have been approximately $418.3 million and $322.2 million , respectively, of which approximately $323.9 million and $247.9 million , respectively, is reimbursable to the Company by certain professionals. Management believes the possibility of all of the investments becoming worthless is remote. As of December 31, 2016 and 2015 , if the funds were liquidated at their fair values, there would be no repayment obligation, and accordingly, the Company did not record a contingent repayment liability as of either date.

Litigation

From time to time, the Company is named as a defendant in legal actions relating to transactions conducted in the ordinary course of business. Although there can be no assurance of the outcome of such legal actions, in the opinion of management, the Company does not have a potential liability related to any current legal proceeding or claim that would individually or in the aggregate materially affect its results of operations, financial condition or cash flows.

12. RELATED PARTY TRANSACTIONS

Substantially all of the Company’s revenue is earned from its affiliates, including management fees, performance fees, administrative expense reimbursements and service fees. The related accounts receivable are included within due from affiliates within the Consolidated Statements of Financial Condition, except that performance fees receivable, which are entirely due from affiliated funds, are presented separately within the Consolidated Statements of Financial Condition.

The Company has investment management agreements with various funds and accounts that it manages. In accordance with these agreements, the Consolidated Funds bear certain operating costs and expenses which are initially paid by the Company and subsequently reimbursed by the Consolidated Funds. In addition, the Company has agreements to provide administrative services to various entities.

The Company also has entered into agreements with related parties to be reimbursed for its expenses incurred for providing administrative services to such related parties, including ARCC, ACRE, ARDC, Ivy Hill Asset Management, L.P., European Senior Secured Loan Programme S.à.r.l. and ACF FinCo I L.P.

Employees and other related parties may be permitted to participate in co-investment vehicles that generally invest in Ares funds alongside fund investors. Participation is limited by law to individuals who qualify under applicable securities laws. These co-investment vehicles generally do not require these individuals to pay management or performance fees.

Performance fees from the funds can be distributed to professionals on a current basis, subject to repayment by the subsidiary of the Company that acts as general partner of the relevant fund in the event that certain specified return thresholds are not ultimately achieved. The professionals have personally guaranteed, subject to certain limitations, the obligations of these subsidiaries in respect of this general partner obligation. Such guarantees are several, and not joint and are limited to distributions received by the relevant recipient.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The Company considers its professionals and non-consolidated funds to be affiliates. Amounts due from and to affiliates were comprised of the following:

	As of December 31,	
	2016	2015
Due from affiliates:		
Management fees receivable from non-consolidated funds	$ 123,781	$ 112,405
Payments made on behalf of and amounts due from non-consolidated funds and employees	39,155	32,577
Due from affiliates—Company	**$ 162,936**	**$ 144,982**
Amounts due from portfolio companies and non-consolidated funds	$ 3,592	$ 12,923
Due from affiliates—Consolidated Funds	**$ 3,592**	**$ 12,923**
Due to affiliates:		
Management fee rebate payable to non-consolidated funds	$ 7,914	$ 6,679
Management fees received in advance	1,788	1,738
Tax receivable agreement liability	4,748	—
Payments made by non-consolidated funds on behalf of and amounts due from the Company	3,114	4,484
Due to affiliates—Company	**$ 17,564**	**$ 12,901**

Due from Ares Funds and Portfolio Companies

In the normal course of business, the Company pays certain expenses on behalf of Consolidated Funds and non-consolidated funds for which it is reimbursed. Amounts advanced on behalf of Consolidated Funds are eliminated in consolidation. Certain expenses initially paid by the Company, primarily professional services, travel and other costs associated with particular portfolio company holdings are subject to reimbursement by the portfolio companies.

13. INCOME TAXES

The Company's effective income tax rate is dependent on many factors, including the estimated nature of many amounts and the mix of revenues and expenses between U.S. corporate subsidiaries that are subject to income taxes and those subsidiaries that are not. Additionally, the Company's effective tax rate is influenced by the amount of income tax provision recorded for any affiliated funds and co-investment entities that are consolidated in these financial statements. Consequently, the effective income tax rate is subject to significant variation from period to period.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state, local and foreign tax regulators. With limited exceptions, the Company is no longer subject to income tax audits by taxing authorities for any years before 2012. Although the outcome of tax audits is always uncertain, the Company does not believe the outcome of any future audit will have a material adverse effect on the Company's consolidated financial statements.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The provision for income taxes attributable to the Company and the Consolidated Funds, consisted of the following for the years ended December 31, 2016 , 2015 and 2014 :

	Year Ended December 31,		
Provision for Income Taxes - The Company	**2016**	**2015**	**2014**
Current:			
U.S. federal income tax	$ 19,419	$ 12,064	$ 12,801
State and local income tax	3,706	4,839	1,719
Foreign income tax	8,458	1,509	1,613
	31,583	**18,412**	**16,133**
Deferred:			
U.S. federal income tax (benefit)	(14,247)	356	123
State and local income tax (benefit)	(1,400)	306	210
Foreign income tax (benefit)	(4,180)	(14)	70
	(19,827)	**648**	**403**
Total:			
U.S. federal income tax	5,172	12,420	12,924
State and local income tax	2,306	5,145	1,929
Foreign income tax	4,278	1,495	1,683
Income tax expense	**11,756**	**19,060**	**16,536**
Provision for Income Taxes - Consolidated Funds			
Current:			
U.S. federal income tax	—	—	6,807
State and local income tax	—	—	1,564
Foreign income tax (benefit)	(737)	4	36
	(737)	**4**	**8,407**
Deferred:			
U.S. federal income benefit	—	—	(9,958)
State and local income benefit	—	—	(2,832)
Foreign income benefit	—	—	(900)
	—	**—**	**(13,690)**
Total:			
U.S. federal income benefit	—	—	(3,151)
State and local income benefit	—	—	(1,268)
Foreign income tax (benefit)	(737)	4	(864)
Income tax expense (benefit)	**(737)**	**4**	**(5,283)**
Total Provision for Income Taxes			
Total current income tax expense	30,846	18,416	24,540
Total deferred income tax expense (benefit)	(19,827)	648	(13,287)
Total income tax expense	**$ 11,019**	**$ 19,064**	**$ 11,253**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The effective income tax rate differed from the federal statutory rate for the following reasons for the years ended December 31, 2016 , 2015 and 2014 :

	Year Ended December 31,		
	2016	2015	2014
Income tax expense at federal statutory rate	35.0%	35.0%	35.0%
Income passed through to non-controlling interests	(27.6)	(24.2)	(34.9)
State and local taxes, net of federal benefit	0.9	5.6	0.4
Foreign taxes	(0.9)	1.4	0.1
Permanent items	(2.2)	6.0	2.2
Other, net	(1.7)	0.9	(1.1)
Valuation allowance	0.2	(1.3)	0.3
Total effective rate	**3.7%**	**23.4%**	**2.0%**

Deferred Taxes

The income tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities were as follows as of December 31, 2016 and 2015 :

	As of December 31,	
Deferred Tax Assets and Liabilities of the Company	2016	2015
Deferred tax assets		
Net operating losses	$ 99	$ 1,623
Investment in partnerships	3,774	—
Other, net	2,897	1,330
Total gross deferred tax assets	**6,770**	**2,953**
Valuation allowance	(39)	(2,953)
Total deferred tax assets, net	**6,731**	**—**
Deferred tax liabilities		
Investment in partnerships	—	(13,846)
Other, net	—	(7,442)
Total deferred tax liabilities	**—**	**(21,288)**
Net deferred tax assets (liabilities)	**$ 6,731**	**$ (21,288)**

	As of December 31,	
Deferred Tax Assets and Liabilities of the Consolidated Funds	2016	2015
Deferred tax assets		
Net operating loss	$ 4,951	$ 1,538
Other, net	53	102
Total gross deferred tax assets	**5,004**	**1,640**
Valuation allowance	(5,004)	(1,640)
Total deferred tax assets, net	**$ —**	**$ —**

In assessing the realizability of deferred tax assets, the Company considers whether it is probable that some or all of the deferred tax assets will not be realized. In determining whether the deferred taxes are realizable, the Company considers the period of expiration of the tax asset, historical and projected taxable income, and tax liabilities for the tax jurisdiction in which the tax asset is located. Valuation allowances are provided to reduce the amounts of deferred tax assets to an amount that is more likely than not to be realized based on an assessment of positive and negative evidence, including estimates of future taxable income necessary to realize future deductible amounts.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The valuation allowance for deferred tax assets increased by $0.5 million in 2016 due to additional net valuation allowances recorded related to operating losses incurred in various jurisdictions in which the Company operates, offset by the reduction of valuation allowances recorded in prior years for which the Company is able to conclude that the realization of the related deferred tax asset is more likely than not as of December 31, 2016 . The valuation allowance for deferred tax assets decreased by $1.4 million in 2015 as a result of the utilization of operating losses in various jurisdictions in which the Company operates in addition to a decrease in the valuation allowance associated with funds no longer presented in the consolidated financial statements in 2015.

At December 31, 2016 , the Company had $25.0 million of net operating loss ("NOL") carryforwards available to reduce future foreign income taxes for which a full valuation allowance has been provided. The majority of the foreign NOLs have no expiry. The Company also has approximately $0.8 million of NOL carryforwards available to reduce state income taxes that begin to expire in 2026. The Company does not have any U.S. federal NOL carryforwards.

As of, and for the three years ended December 31, 2016 , 2015 and 2014 , the Company had no significant uncertain tax positions.

14. EARNINGS PER COMMON UNIT

Basic earnings per common unit is computed by dividing income available to common unitholders by the weighted-average number of common units outstanding during the period. Diluted earnings per common unit is computed using the more dilutive method of either the two-class method or the treasury stock method.

The treasury stock method is used to determine potentially dilutive securities resulting from options and unvested restricted units granted under the 2014 Equity Incentive Plan. The two-class method is an earnings allocation method under which earnings per unit is calculated for common units and participating securities considering both dividends declared (or accumulated) and participation rights in undistributed earnings as if all such earnings had been distributed during the period. Because the holders of unvested restricted units have the right to participate in distributions when declared, the unvested restricted units are considered participating securities to the extent they are expected to vest.

For the year ended December 31, 2016 , the treasury stock method was the more dilutive method for the unvested restricted units. For the year ended December 31, 2015 and the period from May 1, 2014 to December 31, 2014, the two-class method was the more dilutive method for the unvested restricted units. No participating securities had rights to undistributed earnings during any period presented.

The computation of diluted earnings per common unit for the years ended December 31, 2016, 2015 and 2014 excludes the following options, restricted units and AOG Units, as their effect would have been anti-dilutive:

	For the Year Ended December 31,		Period from May 1, 2014 through December 31, 2014
	2016	2015	
Options	22,781,597	24,082,415	24,230,518
Restricted units	47,182	4,657,761	4,776,053
AOG units	131,499,652	132,427,608	130,858,662

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The following table presents the computation of basic and diluted earnings per common unit:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015	Period from May 1, 2014 through December 31, 2014
Net income attributable to Ares Management, L.P. common unitholders	$ 99,632	$ 19,378	$ 34,988
Earnings distributed to participating securities (restricted units)	(1,257)	(646)	(417)
Preferred stock dividends(1)	(8)	(15)	—
Net income available to common unitholders	**$ 98,367**	**$ 18,717**	**$ 34,571**
Basic weighted-average common units	**80,749,671**	**80,673,360**	**80,358,036**
Basic earnings per common unit	**$ 1.22**	**$ 0.23**	**$ 0.43**
Net income (loss) attributable to Ares Management, L.P. common unitholders	$ 99,632	$ 19,378	$ 34,988
Earnings distributed to participating securities (restricted units)	—	(646)	(417)
Preferred stock dividends(1)	(8)	(15)	—
Net income available to common unitholders	**$ 99,624**	**$ 18,717**	**$ 34,571**
Effect of dilutive units:			
Restricted units	2,187,359	—	—
Diluted weighted-average common units	**82,937,030**	**80,673,360**	**80,358,036**
Diluted earnings per common unit	**$ 1.20**	**$ 0.23**	**$ 0.43**

(1) Dividends relate to the preferred shares that were issued by Ares Real Estate Holdings LLC and were redeemed on July 1, 2016.

15. EQUITY COMPENSATION

Ares Employee Participation LLC Interests

The following summarizes the grant date fair value associated with each equity award issued prior to the Company's IPO that occurred on May 1, 2014, as well as the expense recognized related to these awards for the year ended December 31, 2014:

	Grant Date Fair Value	Compensation Expense, Net of Forfeitures — For the Year Ended December 31, 2014	Unrecognized Compensation Expenses(1) — As of April 30, 2014
AEP I Profit Interest	$ 38,400	$ —	$ —
AEP II Profit Interests	33,423	14,714	12,709
AEP IV Profit Interests	10,657	10,657	10,657
AEP VI Profit Interests	9,047	9,047	9,047
Exchanged AEP Awards	68,607	—	—
Indicus:			
Membership Interest	20,700	11,913	10,532
Profit Interest	5,464	(3,871)	—
AREA Membership Interest	25,381	20,678	17,555
Total	**$ 211,679**	**$ 63,138**	**$ 60,500**

(1) On May 1, 2014, the unrecognized compensation expenses associated with awards granted prior to the IPO were recognized as the vesting of these awards was accelerated. These amounts are included in the compensation expenses presented above.

Conversion and Vesting of AEP awards

On May 1, 2014, in connection with the Reorganization, certain existing interests held by APMC, on behalf of certain of our Co-Founders and senior professionals under Ares Employee Participation ("AEP") plans, that represent less than a full equity interest in the Predecessors were converted into AOG Units and were immediately vested and expensed in full. There was no change in the fair value of these converted interests as a result of the acceleration in vesting; however, the Indicus Profit Interest was cancelled. In connection with this cancellation, the Company reversed expense of $4.3 million . As a result, the Company recognized a one-time compensation expense of $56.2 million related to the vesting and cancellation of the converted awards in the year ended December 31, 2014.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Ares Management, L.P. 2014 Equity Incentive Plan

In 2014, the Company adopted the 2014 Equity Incentive Plan. Under the 2014 Equity Incentive Plan, the Company granted options to acquire 24,835,227 common units, 4,936,051 restricted units to be settled in common units and 686,395 phantom common units to be settled in cash. Based on a formula as defined in the 2014 Equity Incentive Plan, the total number of units available to be issued under the 2014 Equity Incentive Plan resets and may increase on January 1 each year. Accordingly, on January 1, 2016 , the total number of units available for issuance under the 2014 Equity Incentive Plan increased to 31,995,344 units. During the year ended December 31, 2016 , a total of 1,420,147 options and restricted units, net of forfeitures and vesting, were issued, and as of December 31, 2016 , 30,397,280 units remain available for issuance.

Generally, unvested phantom units, restricted units and options are forfeited upon termination of employment in accordance with the 2014 Equity Incentive Plan. The Company recognizes forfeitures as a reversal of previously recognized compensation expense in the period they occur.

Equity-based compensation expense, net of forfeitures is included in the following table:

	For the Year Ended December 31,		Period from May 1, 2014 through December 31, 2014
	2016	2015	
Restricted units	$ 21,894	$ 14,035	$ 8,826
Options	15,450	16,575	9,869
Phantom units	1,721	1,634	1,396
Equity-based compensation expense	**$ 39,065**	**$ 32,244**	**$ 20,091**

Restricted Units

Each restricted unit represents an unfunded, unsecured right of the holder to receive a common unit on a specific date. The restricted units generally vest and are settled in common units either (i) at a rate of one-third per year, beginning on the third anniversary of the grant date, (ii) in their entirety on the fifth anniversary of the grant date, or (iii) at a rate of one quarter per year, beginning on the first anniversary of the grant date. Compensation expense associated with restricted units is recognized on a straight-line basis over the requisite service period of the award.

The holders of restricted units generally have the right to receive as current compensation an amount in cash equal to (i) the amount of any distribution paid with respect to a common unit multiplied by (ii) the number of restricted units held at the time such distributions are declared (“Distribution Equivalent”). During the year ended December 31, 2016 , the Company declared four quarterly distributions of $0.20 , $0.15 , $0.28 and $0.20 per common unit to common unitholders of record at the close of business on March 14, May 24, August 23, and November 21, respectively. For the year ended December 31, 2016 , Distribution Equivalents were made to the holders of restricted units in the aggregate amount of $6.1 million , which are presented as distributions within the Consolidated Statement of Changes in Equity until forfeited, at which time the cumulative payments are reclassified to compensation and benefits expense in the Consolidated Statements of Operations.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The following table presents unvested restricted units' activity during the year ended December 31, 2016 :

	Restricted Units	Weighted Average Grant Date Fair Value Per Unit
Balance - January 1, 2016	4,657,761	$ 18.01
Granted	3,988,873	14.58
Vested	(47,729)	17.32
Forfeited	(540,533)	16.95
Balance - December 31, 2016	**8,058,372**	**$ 16.38**

The total compensation expense expected to be recognized in all future periods associated with the restricted units is approximately $82.7 million as of December 31, 2016 and is expected to be recognized over the remaining weighted average period of 3.05 years .

Options

Each option entitles the holders to purchase from the Company, upon exercise thereof, one common unit at the stated exercise price. The term of the options is generally ten years , beginning on the grant date. The options generally vest at a rate of one-third per year, beginning on the third anniversary of the grant date. Compensation expense associated with these options is being recognized on a straight-line basis over the requisite service period of the respective award. As of December 31, 2016 , there was $40.5 million of total unrecognized compensation expense that is expected to be recognized over the remaining weighted average period of 2.32 years .

A summary of unvested options activity during the year ended December 31, 2016 is presented below:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Aggregate Intrinsic Value
Balance - January 1, 2016	24,082,415	$ 18.99	8.34	
Granted	—	—	—	
Vested	(153,449)	19.00	7.29	
Forfeited	(1,827,027)	19.00	—	
December 31, 2016	**22,101,939**	**$ 18.99**	**7.35**	$ 4,586
Exercisable at December 31, 2016	130,200	$ 19.00	7.29	$ 26

Aggregate intrinsic value represents the value of the Company's closing unit price on the last trading day of the period in excess of the weighted-average exercise price multiplied by the number of options exercisable or expected to vest.

The fair value of an award is affected by the Company's unit price on the date of grant as well as other assumptions including the estimated volatility of the Company's unit price over the term of the awards and the estimated period of time that management expects employees to hold their unit options. The estimated period of time that management expects employees to hold their options was estimated as the midpoint between the vesting date and maturity date.

The fair value of each option granted during each year is measured on the date of the grant using the Black-Scholes option pricing model and the following weighted average assumptions:

	For the Year Ended December 31,		Period from May 1, 2014 through December 31, 2014
	2016(2)	2015	
Risk-free interest rate	N/A	1.71% to 1.80%	2.06% to 2.22%
Weighted average expected dividend yield	N/A	5.00%	5.00%
Expected volatility factor(1)	N/A	35.00% to 36.00%	34.00% to 35.00%
Expected life in years	N/A	6.66 to 7.49	6.92 to 7.00

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

(1) Expected volatility is based on comparable companies using daily stock prices.

(2) There were no new options granted during the year ended December 31, 2016.

Phantom Units

Each phantom unit represents an unfunded, unsecured right of the holder to receive an amount in cash per phantom unit equal to the average closing price of a common unit for the 15 trading days immediately prior to, and the 15 trading days immediately following, the vesting date. The phantom units will vest in equal installments over five years at the anniversaries of the IPO date. The phantom units are accounted for as liability awards with compensation expense being recognized on a straight-line basis based on the number of unvested units. Forfeitures will reduce the expenses in the period in which the forfeiture occurs.

A summary of unvested phantom units' activity during the year ended December 31, 2016 is presented below:

	Phantom Units	Weighted Average Grant Date Fair Value Per Unit	Phantom Units	Weighted Average Grant Date Fair Value Per Unit
Balance - January 1	418,115	$ 19.00	610,711	$ 19.00
Vested	(98,733)	19.00	(116,802)	19.00
Forfeited	(53,244)	19.00	(75,794)	19.00
Balance - December 31	**266,138**	**$ 19.00**	**418,115**	**$ 19.00**

The fair value of the awards is remeasured at each reporting period and was $ 19.20 per unit as of December 31, 2016 . Based on the fair value of the awards at December 31, 2016 , $4.0 million of unrecognized compensation expense in connection with phantom units outstanding is expected to be recognized over a weighted average period of 2.33 years . For the year ended December 31, 2016 , the Company paid $1.4 million to settle vested phantom units.

Adoption of ASU 2016-09

The Company adopted ASU 2016-09 effective January 1, 2016 using a modified retrospective approach and recorded a cumulative-effect adjustment with the following impact to beginning equity:

	Partners' Capital	Non-Controlling Interest in AOG Entities	Redeemable Interest in AOG Entities
Balance at December 31, 2015	$ 251,537	$ 397,883	$ 23,505
Retained earnings	(3,357)	(5,470)	(38)
Paid-in-capital - equity compensation	3,767	6,138	43
Distributions - dividend equivalent	(410)	(668)	(5)
Balance at December 31, 2015 (as adjusted)	**$ 251,537**	**$ 397,883**	**$ 23,505**

16. EQUITY

Ares Management, L.P.

Common Units:

Common units represent limited partnership interests in the Company. The holders of common units are entitled to participate pro rata in distributions from the Company and to exercise the rights or privileges that are available to common unitholders under the Company's partnership agreement. The common unitholders have limited voting rights and have no right to remove the Company's general partner, Ares Management GP LLC, or, except in limited circumstances, to elect the directors of the general partner.

At December 31, 2016, Ares Management, L.P. owns a 38.26% direct interest, or 80,814,732 AOG Units, in each of the Ares Operating Group entities; Ares Owners Holding L.P. owns a 55.82% direct interest, or 117,928,313 AOG Units, in each of the Ares Operating Group entities; and an affiliate of Alleghany owns a 5.92% direct interest, or 12,500,000 AOG units, in each of the Ares Operating Group entities. For the year ended December 31, 2016, the daily average ownership of AOG Units in each of the Ares Operating Group entities by Ares Owners Holding L.P., Alleghany and Ares Management, L.P. was 56.07% , 5.89% and 38.04% , respectively.

At December 31, 2015, Ares Management, L.P. owned a 37.86% direct interest, or 80,679,600 AOG Units, in each of the Ares Operating Group entities; Ares Owners Holding L.P. owned a 56.27% direct interest, or 119,905,131 AOG Units, in each of the Ares Operating Group entities; and an affiliate of Alleghany owned a 5.87% direct interest, or 12,500,000 AOG units, in each of the Ares Operating Group entities. For the year ended December 31, 2015, the daily average ownership of AOG Units in each of the Ares Operating Group entities by Ares Owners Holding L.P., Alleghany and Ares Management, L.P. was 56.27% , 5.87% and 37.86% , respectively.

The Company's ownership percentage of the AOG Units will continue to change upon: (i) the vesting of restricted units and exercise of options that were granted under the Equity Incentive Plan; (ii) the exchange of AOG Units for common units; (iii) the cancellation of AOG Units in connection with certain individuals' forfeiture of AOG Units upon termination of employment and (iv) the issuance of new AOG Units, including in connection with acquisitions. Holders of the AOG Units, subject to any applicable transfer restrictions, may up to four times each year (subject to the terms of the exchange agreement) exchange their AOG Units for common units on a one -for- one basis. Equity is reallocated among partners upon a change in ownership to ensure each partners' capital account properly reflects their respective claim on the residual value of the Company. This change is reflected as either a reallocation of interest or as dilution in the Consolidated Statements of Changes in Equity.

Preferred Equity

In June 2016, the Company issued preferred equity consisting of 12,400,000 units designated as Series A Preferred Equity (the "Preferred Equity"), for a total offering price of $310.0 million . When, as and if declared by the Company's board of directors, distributions on the Preferred Equity are payable quarterly at a rate per annum equal to 7.00% . The Preferred Equity may be redeemed at the Company's option, in whole or in part, at any time on or after June 30, 2021, at a price of $25.00 per unit.

17. MARKET AND OTHER RISK FACTORS

Due to the nature of the Company's investment strategy, the Company's portfolio of investments has significant market and credit risk. As a result, the Company is subject to market, credit and other risk factors, including, but not limited to the following:

Market Risk

The market price of investments may significantly fluctuate during the period of investment. Investments may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of an investment may decline due to general market conditions which are not specifically related to such investment, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.

Limited Liquidity of Investments

The Company invests in securities that may not be readily marketable. Illiquid investments may trade at a discount from comparable, more liquid investments, and at times there may be no market at all for such investments. Subordinate investments may be less marketable, or in some instances illiquid, because of the absence of registration under federal securities laws, contractual restrictions on transfer, the small size of the market and the small size of the issue (relative to issues of comparable interests). As a result, the Company may encounter difficulty in selling its investments or may, if required to liquidate investments to satisfy redemption requests of its investors or debt service obligations, be compelled to sell such investments at less than fair value.

Counterparty Risk

Some of the markets in which the Company invests are over-the-counter or interdealer markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight unlike members of exchange-based markets. The lack of oversight exposes the Company to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the applicable contract (whether or not such dispute is bona fide) or because of a credit or liquidity problem, causing the Company to suffer losses. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Company has concentrated its transactions with a single or small group of counterparties.

Credit Risk

There are no restrictions on the credit quality of the investments the Company makes. Investments may be deemed by nationally recognized rating agencies to have substantial vulnerability to default in payment of interest and/or principal. Some investments may have low-quality ratings or be unrated. Lower rated and unrated investments have major risk exposure to adverse conditions and are considered to be predominantly speculative. Generally, such investments offer a higher return potential than higher rated investments, but involve greater volatility of price and greater risk of loss of income and principal.

In general, the ratings of nationally recognized rating organizations represent the opinions of agencies as to the quality of the securities they rate. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of the relevant securities. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events. The Company may use these ratings as initial criteria for the selection of portfolio assets for the Company but is not required to utilize them.

Currency Risk

The Company may invest in financial instruments and enter into transactions denominated in currencies other than US dollars its functional currency. Although the Company may seek to hedge currency exposure through financial instruments, the Company may still be exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than the functional currency.

18. SEGMENT REPORTING

The Company operates through its distinct operating segments. In 2016, the Company revised its reportable segments by combining two of its segments into a single segment to reflect a change in how the credit business is managed. The Tradable Credit Group segment and the Direct Lending Group segment have been combined into a single Credit Group segment. This change was made to more effectively manage the Company’s broad array of credit products and to better position the Credit Group to capitalize on future growth opportunities. In addition, in the third quarter of 2016 the Company moved its Special Situations strategy from the Credit Group to the Private Equity Group to better align the segment presentation with how the investment strategies for the Special Situations funds are managed. The Company has modified historical results to conform with its current presentation.

The Company’s three operating segments are:

Credit Group: The Company’s Credit Group is a leading manager of credit strategies across the non-investment grade credit universe in the U.S. and Europe, with approximately $60.5 billion of assets under management and 133 funds as of December 31, 2016 . The Credit Group offers a range of credit strategies across the liquid and illiquid spectrum, including syndicated loans, high yield bonds, credit opportunities, structured credit investments and U.S. and European direct lending. The Credit Group provides solutions for traditional fixed income investors seeking to access the syndicated loans and high yield bond markets and capitalizes on opportunities across traded corporate credit. It additionally provides investors access to directly originated fixed and floating rate credit assets and the ability to capitalize on illiquidity premiums across the credit spectrum. The Credit Group’s syndicated loans strategy focuses on liquid, traded non-investment grade secured loans to corporate issuers. The high yield bond strategy seeks to deliver a diversified portfolio of liquid, traded non-investment grade corporate bonds, including secured, unsecured and subordinated debt instruments. Credit opportunities is a “go anywhere” strategy seeking to capitalize on market inefficiencies and relative value opportunities across the capital structure. The structured credit strategy invests across the capital structures of syndicated collateralized loan obligation vehicles (CLOs) and in directly-originated asset-backed instruments comprised of diversified portfolios of consumer and commercial assets. The Company is one of the largest self-originating direct lenders to the U.S. and European middle markets, providing one-stop financing solutions for small-to-medium sized companies, which the Company believes are increasingly underserved by traditional lenders. The Credit Group conducts its U.S. corporate lending activities primarily through ARCC, the largest business development company as of December 31, 2016, by both market capitalization and total assets. In addition, the Credit Group manages a commercial finance business that provides asset-based and cash flow loans to small and middle-market companies, as well as asset-based facilities to specialty finance companies. The Credit Group's European direct lending platform is one of the most significant participants in the European middle-market, focusing on self-originated investments in illiquid middle-market credits.

Private Equity Group: The Company's Private Equity Group has approximately $25.0 billion of assets under management as of December 31, 2016 , broadly categorizing its investment strategies as corporate private equity, U.S. power and energy infrastructure and special situations (formerly part of the Credit Group). As of December 31, 2016 the group managed five corporate private equity commingled funds focused on North America and Europe and two focused on greater China, five commingled funds and six related co-investment vehicles focused on U.S. power and energy infrastructure and five special situations funds. In its North American and European flexible capital strategy, the Company targets opportunistic majority or shared-control investments in businesses with strong franchises and attractive growth opportunities in North America and Europe. The U.S. power and energy infrastructure strategy targets U.S. energy infrastructure-related assets across the power generation, transmission and midstream sectors, seeking attractive risk-adjusted equity returns with current cash flow and capital appreciation. The special situations strategy seeks to invest opportunistically across a broad spectrum of distressed or mispriced investments, including corporate debt, rescue capital, private asset-backed investments, post-reorganization securities and non-performing portfolios.

Real Estate Group: The Company's Real Estate Group manages comprehensive public and private equity and debt strategies, with approximately $9.8 billion of assets under management across 42 funds as of December 31, 2016 . Real Estate equity strategies focus on applying hands-on value creation initiatives to mismanaged and capital-starved assets, as well as new development, ultimately selling stabilized assets back into the market. The Real Estate Group manages both a value-add strategy and an opportunistic strategy. The value-add strategy seeks to create value by buying assets at attractive valuations and through active asset management of income-producing properties across the U.S. and Western Europe. The opportunistic strategy focuses on manufacturing core assets through development, redevelopment and fixing distressed capital structures across major properties in the U.S. and Europe. The Company's debt strategies leverage the Real Estate Group's diverse sources of capital to directly originate and manage commercial mortgage investments on properties that range from stabilized to requiring hands-on value creation. In addition to managing private debt funds, the Real Estate Group makes debt investments through a publicly traded commercial mortgage REIT, ACRE.

Non-GAAP Measures: These measures supplement and should be considered in addition to, and not in lieu of, the Consolidated Statements of Operations prepared in accordance with GAAP.

The Company has an Operations Management Group (the "OMG") that consists of five shared resource groups to support the Company's operating segments by providing infrastructure and administrative support in the areas of accounting/finance, operations/information technology, business development/corporate strategy, legal/compliance and human resources. Additionally, the OMG provides services to certain of the Company's investment companies and partnerships, which reimburse the OMG for expenses equal to the costs of services provided. The OMG's expenses are not allocated to the Company's three reportable segments but the Company does consider the cost structure of the OMG when evaluating its financial performance.

Economic net income ("ENI"), a non-GAAP measure, is an operating metric used by management to evaluate total operating performance, a decision tool for deployment of resources, and an assessment of the performance of the Company's business segments. ENI differs from net income by excluding (a) income tax expense, (b) operating results of the Consolidated Funds, (c) depreciation and amortization expense, (d) placement fees and underwriting costs (e) the effects of changes arising from corporate actions, and (f) certain other items that the Company believes are not indicative of its total operating performance. Changes arising from corporate actions include equity-based compensation expenses, the amortization of intangible assets, transaction costs associated with mergers and acquisitions and capital transactions, and expenses incurred in connection with corporate reorganization.

Fee related earnings ("FRE"), a non-GAAP measure, refers to a component of ENI that is used to assess core operating performance by determining whether recurring revenue, primarily consisting of management fees, is sufficient to cover operating expenses and to generate profits. FRE differs from income before taxes computed in accordance with GAAP as it adjusts for the items included in the calculation of ENI and excludes performance fees, performance fee compensation, investment income from the Consolidated Funds and non-consolidated funds and certain other items that the Company believes are not indicative of its core operating performance.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Performance related earnings ("PRE"), a non-GAAP measure, is used to assess the Company's investment performance net of performance fee compensation. PRE differs from income (loss) before taxes computed in accordance with GAAP as it only includes performance fees, performance fee compensation and total investment and other income earned from the Consolidated Funds and non-consolidated funds.

Distributable earnings ("DE"), a non-GAAP measure, is an operating metric that assesses the Company's performance without the effects of the Consolidated Funds and the impact of unrealized income and expenses, which generally fluctuate with fair value changes. Among other things, this metric also is used to assist in determining amounts potentially available for distribution. However, the declaration, payment, and determination of the amount of distributions to unitholders, if any, is at the sole discretion of the Company's Board of Directors, which may change the distribution policy at any time. Distributable earnings is calculated as the sum of fee related earnings, realized performance fees, realized performance fee compensation, realized net investment and other income, and is reduced by expenses arising from transaction costs associated with acquisitions, placement fees and underwriting costs, expenses incurred in connection with corporate reorganization and depreciation. Distributable earnings differs from income before taxes computed in accordance with GAAP as it is typically presented before giving effect to unrealized performance fees, unrealized performance fee compensation, unrealized net investment income, amortization of intangibles and equity compensation expense. DE is presented prior to the effect of income taxes and to distributions made to the Company's preferred unitholders, unless otherwise noted.

Management makes operating decisions and assesses the performance of each of the Company's business segments based on financial and operating metrics and other data that is presented before giving effect to the consolidation of any of the Consolidated Funds. Consequently, all segment data excludes the assets, liabilities and operating results related to the Consolidated Funds and non-consolidated funds.

The following table presents the financial results for the Company's operating segments, as well as the OMG, for the year ended December 31, 2016 :

	Credit Group	Private Equity Group	Real Estate Group	Total Segments	OMG	Total Stand Alone
Management fees (Credit Group includes ARCC Part I Fees of $121,181)	$ 444,664	$ 147,790	$ 66,997	$ 659,451	$ —	$ 659,451
Other fees	9,953	1,544	854	12,351	—	12,351
Compensation and benefits	(177,071)	(57,012)	(39,033)	(273,116)	(111,599)	(384,715)
General, administrative and other expenses	(26,827)	(14,256)	(10,124)	(51,207)	(63,530)	(114,737)
Fee related earnings	**250,719**	**78,066**	**18,694**	**347,479**	**(175,129)**	**172,350**
Performance fees—realized	51,435	230,162	11,401	292,998	—	292,998
Performance fees—unrealized	22,851	188,287	17,334	228,472	—	228,472
Performance fee compensation—realized	(11,772)	(184,072)	(2,420)	(198,264)	—	(198,264)
Performance fee compensation—unrealized	(26,109)	(149,956)	(13,517)	(189,582)	—	(189,582)
Net performance fees	36,405	84,421	12,798	133,624	—	133,624
Investment income (loss)—realized	4,928	18,773	931	24,632	(14,606)	10,026
Investment income (loss)—unrealized	11,848	(613)	5,418	16,653	(2,197)	14,456
Interest and other investment income	26,119	16,579	1,661	44,359	149	44,508
Interest expense	(8,609)	(5,589)	(1,056)	(15,254)	(2,727)	(17,981)
Net investment income (loss)	34,286	29,150	6,954	70,390	(19,381)	51,009
Performance related earnings	**70,691**	**113,571**	**19,752**	**204,014**	**(19,381)**	**184,633**
Economic net income	**$ 321,410**	**$ 191,637**	**$ 38,446**	**$ 551,493**	**$ (194,510)**	**$ 356,983**
Distributable earnings	**$ 302,683**	**$ 148,996**	**$ 24,191**	**$ 475,870**	**$ (211,564)**	**$ 264,306**
Total assets	**$ 650,435**	**$ 1,218,412**	**$ 232,862**	**$ 2,101,709**	**$ 74,383**	**$ 2,176,092**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The following table presents the financial results for the Company's operating segments, as well as the OMG, for the year ended December 31, 2015 :

	Credit Group	Private Equity Group	Real Estate Group	Total Segments	OMG	Total Stand Alone
Management fees (Credit Group includes ARCC Part I Fees of $121,491)	$ 432,769	$ 152,104	$ 66,045	$ 650,918	$ —	$ 650,918
Other fees(1)	414	1,406	2,779	4,599	—	4,599
Compensation and benefits	(167,735)	(54,231)	(40,591)	(262,557)	(98,065)	(360,622)
General, administrative and other expenses	(27,781)	(15,295)	(15,044)	(58,120)	(59,783)	(117,903)
Fee related earnings	**237,667**	**83,984**	**13,189**	**334,840**	**(157,848)**	**176,992**
Performance fees—realized	87,583	24,849	9,516	121,948	—	121,948
Performance fees—unrealized	(71,341)	87,809	15,179	31,647	—	31,647
Performance fee compensation—realized	(44,110)	(19,255)	(1,826)	(65,191)	—	(65,191)
Performance fee compensation—unrealized	36,659	(74,598)	(8,553)	(46,492)	—	(46,492)
Net performance fees	8,791	18,805	14,316	41,912	—	41,912
Investment income (loss)—realized	13,274	6,840	2,658	22,772	(23)	22,749
Investment income (loss)—unrealized	(15,731)	(13,205)	1,522	(27,414)	52	(27,362)
Interest and other investment income	10,429	6,166	259	16,854	379	17,233
Interest expense	(7,075)	(5,936)	(977)	(13,988)	(1,158)	(15,146)
Net investment income (loss)	897	(6,135)	3,462	(1,776)	(750)	(2,526)
Performance related earnings	**9,688**	**12,670**	**17,778**	**40,136**	**(750)**	**39,386**
Economic net income	**$ 247,355**	**$ 96,654**	**$ 30,967**	**$ 374,976**	**$ (158,598)**	**$ 216,378**
Distributable earnings	**$ 289,091**	**$ 91,800**	**$ 17,615**	**$ 398,506**	**$ (167,917)**	**$ 230,589**
Total assets	**$ 530,758**	**$ 927,758**	**$ 186,058**	**$ 1,644,574**	**$ 96,637**	**$ 1,741,211**

(1) For the year ended December 31, 2015 , the Company presented compensation and benefits expenses and general, administrative and other expenses net of the administrative fees earned from certain funds. As a result, for the year ended December 31, 2015 , $21.6 million and $4.4 million of administrative fees have been reclassified from other fees to compensation and benefits expenses and general, administrative and other expenses, respectively.

The following table presents the financial results for the Company's operating segments, as well as the OMG, for the year ended December 31, 2014 :

	Credit Group	Private Equity Group	Real Estate Group	Total Segments	OMG	Total Stand Alone
Management fees (Credit Group includes ARCC Part I Fees of $118,537)	$ 416,400	$ 93,963	$ 87,683	$ 598,046	$ —	$ 598,046
Other fees	1,192	219	4,889	6,300	—	6,300
Compensation and benefits	(176,709)	(40,229)	(47,174)	(264,112)	(90,250)	(354,362)
General, administrative and other expenses	(24,196)	(10,075)	(15,632)	(49,903)	(52,817)	(102,720)
Fee related earnings	**216,687**	**43,878**	**29,766**	**290,331**	**(143,067)**	**147,264**
Performance fees—realized	98,221	46,417	1,856	146,494	—	146,494
Performance fees—unrealized	(41,681)	119,156	17,408	94,883	—	94,883
Performance fee compensation—realized	(48,077)	(32,522)	—	(80,599)	—	(80,599)
Performance fee compensation—unrealized	11,059	(97,658)	(2,830)	(89,429)	—	(89,429)
Net performance fees	19,522	35,393	16,434	71,349	—	71,349
Investment income—realized	29,081	21,154	2,344	52,579	—	52,579
Investment income (loss)—unrealized	(12,430)	23,424	(61)	10,933	—	10,933
Interest and other investment income	10,688	4,745	265	15,698	—	15,698
Interest expense	(3,555)	(3,925)	(1,137)	(8,617)	—	(8,617)
Net investment income	23,784	45,398	1,411	70,593	—	70,593
Performance related earnings	**43,306**	**80,791**	**17,845**	**141,942**	**—**	**141,942**
Economic net income	**$ 259,993**	**$ 124,669**	**$ 47,611**	**$ 432,273**	**$ (143,067)**	**$ 289,206**
Distributable earnings	**$ 294,955**	**$ 76,190**	**$ 10,460**	**$ 381,605**	**$ (148,849)**	**$ 232,756**
Total assets	**$ 730,281**	**$ 717,131**	**$ 224,333**	**$ 1,671,745**	**$ 15,206**	**$ 1,686,951**

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

(1) For the year ended December 31, 2014 , the Company presented compensation and benefits expenses and general, administrative and other expenses net of the administrative fees earned from certain funds. As a result, for the year ended December 31, 2014 , $19.0 million and $3.4 million of administrative fees have been reclassified from other fees to compensation and benefits expenses and general, administrative and other expenses, respectively.

The following table presents the components of the Company's operating segments' revenue, expenses and other income (expense):

	For the Year Ended December 31,		
	2016	2015	2014
Segment Revenues			
Management fees (includes ARCC Part I Fees of $121,181, $121,491 and $118,537 for the years ended December 31, 2016, 2015 and 2014, respectively)	$ 659,451	$ 650,918	$ 598,046
Other fees	12,351	4,599	6,300
Performance fees—realized	292,998	121,948	146,494
Performance fees—unrealized	228,472	31,647	94,883
Total segment revenues	**$ 1,193,272**	**$ 809,112**	**$ 845,723**
Segment Expenses			
Compensation and benefits	$ 273,116	$ 262,557	$ 264,112
General, administrative and other expenses	51,207	58,120	49,903
Performance fee compensation—realized	198,264	65,191	80,599
Performance fee compensation—unrealized	189,582	46,492	89,429
Total segment expenses	**$ 712,169**	**$ 432,360**	**$ 484,043**
Other Income (Expense)			
Investment income—realized	$ 24,632	$ 22,772	$ 52,579
Investment income (loss)—unrealized	16,653	(27,414)	10,933
Interest and other investment income	44,359	16,854	15,698
Interest expense	(15,254)	(13,988)	(8,617)
Total other income (expense)	**$ 70,390**	**$ (1,776)**	**$ 70,593**

The following table reconciles segment revenue to Ares consolidated revenues:

	For the Year Ended December 31,		
	2016	2015	2014
Total segment revenue	$ 1,193,272	$ 809,112	$ 845,723
Revenue of Consolidated Funds eliminated in consolidation	(18,522)	(13,279)	(249,394)
Administrative fees(1)	26,934	26,007	22,147
Performance fees reclass(2)	(2,479)	(7,398)	(14,587)
Total consolidated adjustments and reconciling items	5,933	5,330	(241,834)
Total consolidated revenue	**$ 1,199,205**	**$ 814,442**	**$ 603,889**

(1) Represents administrative fees that are presented in administrative and other fees in the Company's Consolidated Statements of Operations and are netted against the respective expenses for segment reporting.
(2) Related to performance fees for AREA Sponsor Holdings LLC, an investment pool. Changes in value of this investment are reflected within other income (expense) in the Company's Consolidated Statements of Operations.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The following table reconciles segment expenses to Ares consolidated expenses:

	For the Year Ended December 31,		
	2016	2015	2014
Total segment expenses	$ 712,169	$ 432,360	$ 484,043
Expenses of Consolidated Funds added in consolidation	42,520	36,417	187,494
Expenses of Consolidated Funds eliminated in consolidation	(21,447)	(18,312)	(120,694)
Administrative fees(1)	26,934	26,007	22,147
OMG expenses	175,129	157,848	143,067
Acquisition and merger-related expenses	773	40,482	11,043
Equity compensation expense	39,065	32,244	83,230
Placement fees and underwriting costs	6,424	8,825	14,753
Amortization of intangibles	26,638	46,227	27,610
Depreciation expense	8,215	6,942	7,346
Total consolidation adjustments and reconciling items	304,251	336,680	375,996
Total consolidated expenses	**$ 1,016,420**	**$ 769,040**	**$ 860,039**

(1) Represents administrative fees that are presented in administrative and other fees in the Company's Consolidated Statements of Operations and are netted against the respective expenses for segment reporting.

The following table reconciles segment other income (expense) to Ares consolidated other income:

	For the Year Ended December 31,		
	2016	2015	2014
Total other income (expense)	$ 70,390	$ (1,776)	$ 70,593
Other income (expense) from Consolidated Funds added in consolidation, net	37,388	13,695	785,152
Other income (expense) from Consolidated Funds eliminated in consolidation, net	4,856	12,007	(53,883)
OMG other expense	(19,381)	(750)	—
Performance fee reclass(1)	2,479	7,398	14,587
Gain associated with contingent consideration	17,675	21,064	—
Merger related expenses	—	(15,446)	—
Other non-cash expense	1,728	(110)	(3,384)
Total consolidation adjustments and reconciling items	44,745	37,858	742,472
Total consolidated other income (expense)	**$ 115,135**	**$ 36,082**	**$ 813,065**

(1) Related to performance fees for AREA Sponsor Holdings LLC. Changes in value of this investment are reflected within other (income) expense in the Company's Consolidated Statements of Operations.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The following table presents the reconciliation of income before taxes as reported in the Consolidated Statements of Operations to segment results of ENI, FRE, PRE and DE:

	For the Year Ended December 31,		
	2016	2015	2014
Economic net income			
Income (loss) before taxes	$ 297,920	$ 81,484	$ 556,915
Adjustments:			
Amortization of intangibles	26,638	46,227	27,610
Depreciation expense	8,215	6,942	7,346
Equity compensation expenses	39,065	32,244	83,230
Acquisition and merger-related expenses	(16,902)	34,864	11,043
Placement fees and underwriting costs	6,424	8,825	14,753
OMG expenses, net	194,510	158,598	143,067
Other non-cash expense	(1,728)	110	3,384
(Income) loss before taxes of non-controlling interests in Consolidated Funds, net of eliminations	(2,649)	5,682	(415,075)
Total consolidation adjustments and reconciling items	253,573	293,492	(124,642)
Economic net income	**551,493**	**374,976**	**432,273**
Total performance fees income - realized	(292,998)	(121,948)	(146,494)
Total performance fees income - unrealized	(228,472)	(31,647)	(94,883)
Total performance fee compensation - realized	198,264	65,191	80,599
Total performance fee compensation - unrealized	189,582	46,492	89,429
Total investment income	(70,390)	1,776	(70,593)
Fee related earnings	**347,479**	**334,840**	**290,331**
Performance fees—realized	292,998	121,948	146,494
Performance fee compensation—realized	(198,264)	(65,191)	(80,599)
Investment and other income (expense) realized, net	50,415	25,638	59,660
Additional adjustments:			
Dividend equivalent(1)	(3,863)	(2,501)	—
One-time acquisition costs(1)	(457)	(1,553)	(8,446)
Income tax expense(1)	(3,199)	(1,462)	(1,725)
Non-cash items	870	(758)	(1,525)
Placement fees and underwriting costs(1)	(6,431)	(8,817)	(14,753)
Depreciation and amortization(1)	(3,678)	(3,638)	(7,832)
Distributable earnings	**$ 475,870**	**$ 398,506**	**$ 381,605**
Performance related earnings			
Economic net income	$ 551,493	$ 374,976	$ 432,273
Less: fee related earnings	(347,479)	(334,840)	(290,331)
Performance related earnings	**$ 204,014**	**$ 40,136**	**$ 141,942**

(1) Certain costs are reduced by the amounts attributable to OMG, which is excluded from segment results.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

The reconciliation of total segment assets to total assets reported in the Consolidated Statements of Financial Condition consists of the following:

	For the Year Ended December 31,		
	2016	2015	2014
Total segment assets	$ 2,101,709	$ 1,644,574	$ 1,671,745
Total assets from Consolidated Funds added in Consolidation	3,822,010	2,760,419	20,758,806
Total assets from Consolidated Funds eliminated in Consolidation	(168,390)	(180,222)	(806,765)
Operating Management Group assets	74,383	96,637	15,206
Total consolidated adjustments and reconciling items	3,728,003	2,676,834	19,967,247
Total consolidated assets	**$ 5,829,712**	**$ 4,321,408**	**$ 21,638,992**

19. CONSOLIDATION

Adoption of ASU 2015-02

The Company adopted ASU 2015-02 under the modified retrospective approach with an effective date of January 1, 2015. As a result of the adoption of ASU 2015-02, the Company deconsolidated certain previously consolidated CLOs and certain previously consolidated non-CLOs effective January 1, 2015 as the Company is no longer deemed to be the primary beneficiary. The deconsolidation of such entities had the following impact on the Consolidated Statement of Financial Condition as of January 1, 2015:

	As of January 1, 2015		
	As originally reported	As adjusted	Effect of deconsolidation
CLOs:			
Number of entities	31	4	(27)
Total assets	$ 12,682,054	$ 2,109,780	$ (10,572,274)
Total liabilities	$ 12,719,980	$ 2,122,355	$ (10,597,625)
Cumulative- effect adjustment to equity appropriated for Consolidated Funds	$ —	$ 25,352	$ 25,352
Non-CLOs:			
Number of entities	35	6	(29)
Total assets	$ 7,271,422	$ 395,730	$ (6,875,692)
Total liabilities	$ 1,242,484	$ 55,430	$ (1,187,054)
Cumulative- effect adjustment to redeemable interests in Consolidated Funds and non-controlling interest in Consolidated Funds	$ —	$ (5,688,639)	$ (5,688,639)
Total impact of deconsolidation of entities:			
Number of entities	66	10	(56)
Total assets	$ 19,953,476	$ 2,505,510	$ (17,447,966)
Total liabilities	$ 13,962,463	$ 2,177,785	$ (11,784,679)
Cumulative- effect adjustment to redeemable interests in Consolidated Funds and non-controlling interest in Consolidated Funds	$ —	$ (5,663,287)	$ (5,663,287)

The impact of the adoption on redeemable interest in Consolidated Funds and non-controlling interest in Consolidated Funds as of January 1, 2015 was a reduction of $1.0 billion and $4.6 billion , respectively. Adoption of the amended guidance had no impact on net income attributable to Ares Management, L.P.

Based on the Company’s assessments, no additional entities have been consolidated in the Company’s financial statements purely as a result of the adoption of ASU 2015-02. Additionally, under the new accounting guidance, certain consolidated entities previously accounted for as voting interest entities (“VOEs”) became VIEs, while certain entities previously accounted for as VIEs became VOEs.

(Dollars in Thousands, Except Share Data and As Otherwise Noted)

Deconsolidated Funds

Certain funds that have historically been consolidated in the financial statements are no longer consolidated because, as of the reporting period: (a) the Company deconsolidated such funds as a result of a change in accounting principle, including fifty-six entities for the year ended December 31, 2015, (b) such funds were liquidated or dissolved, including three funds for the year ended December 31, 2014, (c) the Company no longer holds a majority voting interest, including four funds for the year ended December 31, 2014 or (d) the Company is no longer deemed to be the primary beneficiary of the VIEs as it has no longer has a significant economic interest, including two and eleven funds for the years ended December 31, 2015 and 2014, respectively. There were no additional funds deconsolidated for the year ended December 31, 2016. For deconsolidated funds, the Company will continue to serve as the general partner and/or investment manager until such funds are fully liquidated.

Investments in Consolidated Variable Interest Entities

The Company consolidates entities that the Company has a variable interest in, and as the general partner or investment manager, has both the power to direct the most significant activities and a potentially significant economic interest. Investments in the consolidated VIEs are reported at fair value, and represents the Company’s maximum exposure to loss.

Investments in Non-Consolidated Variable Interest Entities

The Company holds interests in certain VIEs that are not consolidated as the Company is not the primary beneficiary. The Company's interest in such entities generally is in the form of direct equity interests, fixed fee arrangements or both. The maximum exposure to loss represents the potential loss of assets by the Company relating to these non-consolidated entities. Investments in the non-consolidated VIEs are held at their carrying value, which approximates fair value.

The Company's interests in consolidated and non-consolidated VIEs, as presented in the Consolidated Statements of Financial Condition, and their respective maximum exposure to loss relating to non-consolidated VIEs (excluding fixed arrangements) are as follows:

	As of December 31,	
	2016	2015
Maximum exposure to loss attributable to the Company's investment in non-consolidated VIEs	$ 268,950	$ 284,169
Maximum exposure to loss attributable to the Company's investment in consolidated VIEs	$ 153,746	$ 160,858
Assets of consolidated VIEs	$ 3,822,010	$ 2,759,981
Liabilities of consolidated VIEs	$ 3,360,329	$ 2,256,517

	For the Years Ended December 31,		
	2016	2015	2014
Net income (loss) attributable to non-controlling interests related to consolidated VIEs	$ 3,386	$ (5,686)	$ 417,793

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

CONSOLIDATING SCHEDULES

The following supplemental financial information illustrates the consolidating effects of the Consolidated Funds on the Company's financial condition as of December 31, 2016 and 2015 and results from operations for the years ended December 31, 2016 , 2015 and 2014 .

	As of December 31, 2016			
	Consolidated Company Entities	Consolidated Funds	Eliminations	Consolidated
Assets				
Cash and cash equivalents	$ 342,861	$ —	$ —	$ 342,861
Investments (includes fair value investments of $448,336)	622,215	—	(153,744)	468,471
Performance fees receivable	767,429	—	(8,330)	759,099
Due from affiliates	169,252	—	(6,316)	162,936
Intangible assets, net	58,315	—	—	58,315
Goodwill	143,724	—	—	143,724
Deferred tax asset, net	6,731	—	—	6,731
Other assets	65,565	—	—	65,565
Assets of Consolidated Funds				
Cash and cash equivalents	—	455,280	—	455,280
Investments, at fair value	—	3,330,203	—	3,330,203
Due from affiliates	—	3,592	—	3,592
Dividends and interest receivable	—	8,479	—	8,479
Receivable for securities sold	—	21,955	—	21,955
Other assets	—	2,501	—	2,501
Total assets	**$ 2,176,092**	**$ 3,822,010**	**$ (168,390)**	**$ 5,829,712**
Liabilities				
Accounts payable, accrued expenses and other liabilities	$ 83,336	$ —	$ —	$ 83,336
Accrued compensation	131,736	—	—	131,736
Due to affiliates	17,959	—	(395)	17,564
Performance fee compensation payable	598,050	—	—	598,050
Debt obligations	305,784	—	—	305,784
Liabilities of Consolidated Funds				
Accounts payable, accrued expenses and other liabilities	—	21,056	—	21,056
Due to affiliates	—	10,599	(10,599)	—
Payable for securities purchased	—	208,742	—	208,742
CLO loan obligations	—	3,064,862	(33,750)	3,031,112
Fund borrowings	—	55,070	—	55,070
Total liabilities	**1,136,865**	**3,360,329**	**(44,744)**	**4,452,450**
Commitments and contingencies				
Preferred equity (12,400,000 units issued and outstanding at December 31, 2016)	**298,761**	**—**	**—**	**298,761**
Non-controlling interest in Consolidated Funds	—	461,681	(123,646)	338,035
Non-controlling interest in Ares Operating Group entities	**447,615**	**—**	**—**	**447,615**
Controlling interest in Ares Management, L.P.:				
Partners' Capital (80,814,732 units issued and outstanding)	301,790	—	—	301,790
Accumulated other comprehensive loss, net of tax	(8,939)	—	—	(8,939)
Total controlling interest in Ares Management, L.P.	**292,851**	**—**	**—**	**292,851**
Total equity	**1,039,227**	**461,681**	**(123,646)**	**1,377,262**
Total liabilities, redeemable interests, non-controlling interests and equity	**$ 2,176,092**	**$ 3,822,010**	**$ (168,390)**	**$ 5,829,712**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

	As of December 31, 2015			
	Consolidated Company Entities	Consolidated Funds	Eliminations	Consolidated
Assets				
Cash and cash equivalents	$ 121,483	$ —	$ —	$ 121,483
Investments (includes fair value investments of $446,779)	636,092	—	(167,805)	468,287
Performance fees receivable	541,852	—	(7,191)	534,661
Due from affiliates	149,771	—	(4,789)	144,982
Other assets	62,975	—	—	62,975
Intangible assets, net	84,971	—	—	84,971
Goodwill	144,067	—	—	144,067
Assets of Consolidated Funds				
Cash and cash equivalents	—	159,507	—	159,507
Investments, at fair value	—	2,559,783	—	2,559,783
Due from affiliates	—	13,360	(437)	12,923
Dividends and interest receivable	—	13,005	—	13,005
Receivable for securities sold	—	13,416	—	13,416
Other assets	—	1,348	—	1,348
Total assets	**$ 1,741,211**	**$ 2,760,419**	**$ (180,222)**	**$ 4,321,408**
Liabilities				
Accounts payable and accrued expenses	$ 102,734	$ —	$ (108)	$ 102,626
Accrued compensation	125,032	—	—	125,032
Due to affiliates	13,016	—	(115)	12,901
Performance fee compensation payable	401,715	—	—	401,715
Debt obligations	389,120	—	—	389,120
Equity compensation put option liability	20,000	—	—	20,000
Deferred tax liability, net	21,288	—	—	21,288
Liabilities of Consolidated Funds				
Accounts payable, accrued expenses and other liabilities	—	18,956	(5)	18,951
Due to affiliates	—	5,617	(5,617)	—
Payable for securities purchased	—	51,778	—	51,778
CLO loan obligations	—	2,202,628	(28,276)	2,174,352
Fund borrowings	—	11,734	—	11,734
Total liabilities	**1,072,905**	**2,290,713**	**(34,121)**	**3,329,497**
Commitments and contingencies				
Redeemable interest in Ares Operating Group entities	**23,505**	**—**	**—**	**23,505**
Non-controlling interest in Consolidated Funds:				
Non-controlling interest in Consolidated Funds	—	466,339	(146,101)	320,238
Equity appropriated for Consolidated Funds	—	3,367	—	3,367
Non-controlling interest in Consolidated Funds	**—**	**469,706**	**(146,101)**	**323,605**
Non-controlling interest in Ares Operating Group entities	**397,883**	**—**	**—**	**397,883**
Controlling interest in Ares Management, L.P.:				
Partners' Capital (80,679,600 units issued and outstanding)	251,537	—	—	251,537
Accumulated other comprehensive loss	(4,619)	—	—	(4,619)
Total controlling interest in Ares Management, L.P.	**246,918**	**—**	**—**	**246,918**
Total equity	**644,801**	**469,706**	**(146,101)**	**968,406**
Total liabilities, redeemable interests, non-controlling interests and equity	**$ 1,741,211**	**$ 2,760,419**	**$ (180,222)**	**$ 4,321,408**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

	For the Year Ended December 31, 2016			
	Consolidated Company Entities	Consolidated Funds	Eliminations	Consolidated
Revenues				
Management fees (includes ARCC Part I Fees of $121,181)	$ 659,451	$ —	$ (17,383)	$ 642,068
Performance fees	518,991	—	(1,139)	517,852
Administrative and other fees	39,285	—	—	39,285
Total revenues	**1,217,727**	**—**	**(18,522)**	**1,199,205**
Expenses				
Compensation and benefits	447,725	—	—	447,725
Performance fee compensation	387,846	—	—	387,846
General, administrative and other expense	159,776	—	—	159,776
Expenses of the Consolidated Funds	—	42,520	(21,447)	21,073
Total expenses	**995,347**	**42,520**	**(21,447)**	**1,016,420**
Other income (expense)				
Net interest and investment income (includes interest expense of $17,981)	10,280	—	(4,480)	5,800
Other income, net	35,650	—	—	35,650
Net realized and unrealized gain on investments	26,961	—	1,290	28,251
Net interest and investment income of Consolidated Funds (includes interest expense of $91,452)	—	40,387	7,104	47,491
Net realized and unrealized loss on investments of Consolidated Funds	—	(2,999)	942	(2,057)
Total other income	**72,891**	**37,388**	**4,856**	**115,135**
Income (loss) before taxes	295,271	(5,132)	7,781	297,920
Income tax expense (benefit)	11,756	(737)	—	11,019
Net income (loss)	**283,515**	**(4,395)**	**7,781**	**286,901**
Less: Net income (loss) attributable to non-controlling interests in Consolidated Funds	**—**	**(4,395)**	**7,781**	**3,386**
Less: Net income attributable to redeemable interests in Ares Operating Group entities	**456**	**—**	**—**	**456**
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	**171,251**	**—**	**—**	**171,251**
Net income attributable to Ares Management, L.P.	**111,808**	**—**	**—**	**111,808**
Less: Preferred equity distributions paid	**12,176**	**—**	**—**	**12,176**
Net income attributable to Ares Management, L.P. common unitholders	**$ 99,632**	**$ —**	**$ —**	**$ 99,632**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

	For the Year Ended December 31, 2015			
	Consolidated Company Entities	Consolidated Funds	Eliminations	Consolidated
Revenues				
Management fees (includes ARCC Part I Fees of $121,491)	$ 650,918	$ —	$ (16,519)	$ 634,399
Performance fees	146,197	—	4,418	150,615
Administrative and other fees	30,606	—	(1,178)	29,428
Total revenues	**827,721**	**—**	**(13,279)**	**814,442**
Expenses				
Compensation and benefits	414,454	—	—	414,454
Performance fee compensation	111,683	—	—	111,683
General, administrative and other expense	224,798	—	—	224,798
Expenses of the Consolidated Funds	—	36,417	(18,312)	18,105
Total expenses	**750,935**	**36,417**	**(18,312)**	**769,040**
Other income (expense)				
Net interest and investment expense (includes interest expense of $18,949)	(1,407)	—	(3,497)	(4,904)
Debt extinguishment expense	(11,641)	—	—	(11,641)
Other income, net	20,644	—	1,036	21,680
Net realized and unrealized gain on investments	2,784	—	14,225	17,009
Net interest and investment income of Consolidated Funds (includes interest expense of $78,819)	—	31,309	7,245	38,554
Net realized and unrealized loss on investments of Consolidated Funds	—	(17,614)	(7,002)	(24,616)
Total other income (expense)	**10,380**	**13,695**	**12,007**	**36,082**
Income (loss) before taxes	87,166	(22,722)	17,040	81,484
Income tax expense	19,060	4	—	19,064
Net income (loss)	**68,106**	**(22,726)**	**17,040**	**62,420**
Less: Net loss attributable to non-controlling interests in Consolidated Funds	**—**	**(22,726)**	**17,040**	**(5,686)**
Less: Net income attributable to redeemable interests in Ares Operating Group entities	**338**	**—**	**—**	**338**
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	**48,390**	**—**	**—**	**48,390**
Net income attributable to Ares Management, L.P.	**$ 19,378**	**$ —**	**$ —**	**$ 19,378**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

	For the Year Ended December 31, 2014			
	Consolidated Company Entities	Consolidated Funds	Eliminations	Consolidated
Revenues				
Management fees (includes ARCC Part I Fees of $118,537)	$ 598,046	$ —	$ (111,569)	$ 486,477
Performance fees	226,790	—	(135,378)	91,412
Administrative and other fees	28,447	—	(2,447)	26,000
Total revenues	**853,283**	**—**	**(249,394)**	**603,889**
Expenses				
Compensation and benefits	456,372	—	—	456,372
Performance fee compensation	170,028	—	—	170,028
General, administrative and other expense	166,839	—	—	166,839
Expenses of the Consolidated Funds	—	187,494	(120,694)	66,800
Total expenses	**793,239**	**187,494**	**(120,694)**	**860,039**
Other income (expense)				
Net interest and investment income (expense) (includes interest expense of $8,617)	7,339	—	(8,712)	(1,373)
Other expense, net	(3,644)	—	1,222	(2,422)
Net realized and unrealized gain on investments	78,101	—	(45,973)	32,128
Net interest and investment income of Consolidated Funds (includes interest expense of $666,373)	—	265,362	6,100	271,462
Net realized and unrealized gain on investments of Consolidated Funds	—	519,790	(6,520)	513,270
Total other income (expense)	**81,796**	**785,152**	**(53,883)**	**813,065**
Income before taxes	141,840	597,658	(182,583)	556,915
Income tax expense (benefit)	16,536	(5,283)	—	11,253
Net income	**125,304**	**602,941**	**(182,583)**	**545,662**
Less: Net income attributable to redeemable interests in Consolidated Funds	**—**	**3,071**	**(506)**	**2,565**
Less: Net income attributable to non-controlling interests in Consolidated Funds	**—**	**599,870**	**(182,077)**	**417,793**
Less: Net income attributable to redeemable interests in Ares Operating Group entities	**731**	**—**	**—**	**731**
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	**89,585**	**—**	**—**	**89,585**
Net income attributable to Ares Management, L.P.	**$ 34,988**	**$ —**	**$ —**	**$ 34,988**

20. SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred after December 31, 2016 through the date the consolidated financial statements were issued. During this period the Company had the following material subsequent events that require disclosure:

In February 2017, the board of directors of the Company's general partner declared a quarterly distribution of $0.28 per common unit to common unitholders of record at the close of business on March 10, 2017, with a payment date of March 24, 2017.

In February 2017, the board of directors of the Company's general partner declared a quarterly distribution of $0.4375 per preferred equity unit to preferred equity unitholders of record at the close of business on March 15, 2017, with a payment date of March 31, 2017.

To support the ARCC-ACAS Transaction that closed on January 3, 2017, the Company, through its subsidiary Ares Capital Management LLC, which serves as the investment adviser to ARCC, provided approximately $275 million of cash consideration to ACAS shareholders. The Company used its Credit Facility in an amount of $275 million to finance the payment. The proper tax treatment of the support payment made by the Company is unclear and subject to final determination. The Company believes

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Share Data and As Otherwise Noted)

that the outcome could range from an immediate tax deduction of $275 million in 2017 or amortizing the amount over a prescribed life, typically 15 years. The outcome of such determination will materially affect the net taxable income of the Company and the amount of distributions to our common unitholders.

On February 24, 2017, the Company amended its Credit Facility to, among other things, increase the size of the Credit Facility from $1.03 billion to $1.04 billion and extend the maturity date from April 2019 to February 2022. Based on our current credit agency ratings, the stated interest rate was reduced to LIBOR plus 1.50% from LIBOR plus 1.75% and the unused commitment fee was reduced to 0.20% from 0.25% .

21. QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited quarterly information for each of the three months in the years ended December 31, 2016 and 2015 are presented below.

	For the Three Months Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Revenues	$ 136,015	$ 369,535	$ 335,460	$ 358,195
Expenses	129,538	303,935	283,374	299,573
Other income (loss)	(15,451)	17,406	73,339	39,841
Income (loss) before provision for income taxes	(8,974)	83,006	125,425	98,463
Net income (loss)	(13,639)	87,440	117,784	95,316
Net income (loss) attributable to Ares Management, L.P.	(3,090)	37,574	43,305	34,019
Preferred equity distributions paid	—	—	6,751	5,425
Net income (loss) attributable to Ares Management, L.P. common unitholders	(3,090)	37,574	36,554	28,594
Net income (loss) attributable to Ares Management L.P. per common unit:				
Basic	$ (0.04)	$ 0.46	$ 0.45	$ 0.35
Diluted	$ (0.04)	$ 0.46	$ 0.43	$ 0.34
Distributions declared per common unit(1)	$ 0.15	$ 0.28	$ 0.20	$ 0.28

	For the Three Months Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Revenues	$ 269,905	$ 241,164	$ 143,854	$ 159,519
Expenses	234,463	212,569	136,386	185,622
Other income (loss)	11,006	28,956	(39,553)	35,673
Income (loss) before provision for income taxes	46,448	57,551	(32,085)	9,570
Net income (loss)	42,389	51,448	(37,664)	6,247
Net income (loss) attributable to Ares Management, L.P.	18456	12,086	(11,349)	185
Net income (loss) attributable to Ares Management L.P. per common unit:				
Basic	0.23	$ 0.15	$ (0.14)	$ 0.00
Diluted	0.23	$ 0.15	$ (0.14)	$ 0.00
Distributions declared per common unit(1)	0.25	$ 0.26	$ 0.13	$ 0.20

(1) Distributions declared per common unit are reflected to match the period the income is earned.

* * *

Exhibit 10.15

Execution Version

AMENDMENT NO. 7

AMENDMENT NO. 7 (this " Agreement ") dated as of February 24, 2017 by and among ARES HOLDINGS L.P., a Delaware limited partnership (as successor by conversion to Ares Holdings LLC and as successor by merger to Ares Domestic Holdings L.P.) (" Ares Holdings "), ARES INVESTMENTS L.P., a Delaware limited partnership (as successor by conversion to Ares Investments LLC and as successor by merger to Ares Real Estate Holdings L.P.) (" Ares Investments ", together with Ares Holdings and any other Person that thereafter become borrowers under the Credit Agreement by joinder, are referred to hereinafter individually and collectively, jointly and severally, as the " Borrower "), the Guarantors party hereto, the lenders identified on the signature pages hereto (such lenders, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a " Lender " and collectively as the " Lenders ") and JPMorgan Chase Bank, N.A., as Agent.

RECITALS

WHEREAS, the Borrower, the Guarantors party thereto, the Lenders party thereto and Agent are party to that certain Sixth Amended and Restated Senior Credit Agreement, dated as of April 21, 2014 (as amended, restated, supplemented or otherwise modified from time to time, the " Credit Agreement "; the Credit Agreement as amended by this Agreement is hereinafter referred to as the " Amended Credit Agreement ");

WHEREAS, on July 1, 2016 (a) Ares Domestic Holdings, L.P. merged with and into Ares Holdings, with Ares Holdings as the sole surviving entity and (b) Ares Real Estate Holdings L.P. merged with and into Ares Investments, with Ares Investments as the sole surviving entity; and

WHEREAS, the Borrower, the Guarantors, the Agent and the Lenders have agreed to amend the Credit Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing recital, mutual agreements contained herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Definitions . Except as otherwise defined in this Agreement, terms defined in the Credit Agreement are used herein as defined therein. This Agreement shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents.

Section 2. Amendments . Subject to the satisfaction of the conditions precedent specified in Section 4 below, but effective as of the date hereof, the Credit Agreement is hereby amended and modified from and after the date hereof as reflected in the "blacklined" changes in the Amended Credit Agreement attached hereto as Annex I and Schedule C-1 to the Credit Agreement is replaced in its entirety as set forth as Annex II hereto (and, in connection therewith, if the Revolver Commitment of any Lender is being reduced or terminated, such Revolver Commitment shall be deemed assigned to the remaining Lenders to the extent necessary to give effect to the Revolver Commitments set forth on Annex II and outstanding Advances shall be made from the Lenders pro rata according to the amount of their respective Revolver Commitments; provided that, the Lenders shall make and receive payments among themselves, as set forth in a written notice prepared by the Agent, so that, after giving effect thereto, Advances are held ratably by the Lenders in accordance with their respective Revolver Commitments). References in the Credit Agreement (including references to the Credit Agreement as amended hereby) to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein" and "hereof") shall be deemed to be references to the Credit Agreement as amended hereby.

Section 3. Representations and Warranties .

(a) Each Borrower, individually as to itself only, represents and warrants to the Lenders and the Agent, that this Agreement has been duly executed and delivered by such Borrower and constitutes a legal, valid and binding obligation of such Borrower, enforceable in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(b) Each Borrower represents and warrants that on the date hereof the representations and warranties of such Borrower set forth in Article IV of the Credit Agreement are true, correct and complete in all material respects on and as of the date hereof, provided that, to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided, further that, any representation and warranty that is qualified as to "materiality," "Material Adverse Effect" or similar language shall be true and correct in all respects on such respective dates.

(c) For purposes of determining withholding Taxes imposed under FATCA, from and after August 5, 2015, the Borrower and the Agent shall treat (and the Lenders hereby authorize the Agent to treat) the Amended Credit Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i) or 1.1471-2T(b)(2)(i).

(d) No Event of Default or Unmatured Event of Default exists or would result from this Agreement.

Section 4. Conditions Precedent . The amendments set forth in Section 2 hereof shall become effective, as of the date hereof, upon satisfaction of the following conditions:

(a) Execution . The Agent shall have received counterparts of this Agreement executed by the Borrower and each Lender under the Credit Agreement; and

(b) Fees and Expenses . The Borrower shall have paid all fees and expenses then due and payable to the Lenders and the Agent under the Loan Documents.

Section 5. Effect . Except as expressly set forth herein, this Agreement shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the Lenders or the Agent under the Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other provision of the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect.

Section 6. Confirmation of Loan Documents . As of the date hereof and after giving effect to this Agreement, the Borrower hereby confirms and ratifies all of its obligations under the

Credit Agreement and each other Loan Document to which it is a party. By its execution on the respective signature lines provided below, as of the date hereof and after giving effect to this Agreement, each of the Guarantors hereby (a) confirms and ratifies all of its obligations and (b) represents and warrants that the representations and warranties set forth herein, the Credit Agreement and in such other Loan Documents are true and correct in all material respects on the date hereof as if made on and as of such date (except to the extent that any representation or warranty expressly relates to an earlier date, in which case such representation or warranty shall have been true and correct as of such earlier date); provided that any representation and warranty that is qualified as to materiality or material adverse effect shall, after giving effect to such qualifications as set forth therein, be true and correct in all respects. This Agreement is deemed to be a "Loan Document" for the purposes of the Credit Agreement.

Section 7. Miscellaneous . Except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Agreement by signing any such counterpart. Delivery of a counterpart by electronic transmission shall be effective as delivery of a manually executed counterpart hereof. This Agreement and any right, remedy, obligation, claim, controversy, dispute or cause of action (whether in contract, tort or otherwise) based upon, arising out of or relating to this Agreement shall be governed by, and construed in accordance with, the law of the State of New York without regard to conflicts of law principles that would lead to the application of laws other than the law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

BORROWERS :

ARES HOLDINGS L.P. ,
a Delaware limited partnership
By: Ares Holdco LLC, its general partner

By :___/s/ Naseem Sagati________________
Name: Naseem Sagati
Title: Authorized Signatory

ARES INVESTMENTS L.P. ,
a Delaware limited partnership
By: AI Holdco LLC, its general partner

By :___/s/ Naseem Sagati___________________
Name: Naseem Sagati

Title: Authorized Signatory

GUARANTORS :

ARES MANAGEMENT LLC

By: /s/ Naseem Sagati
Name: Naseem Sagati
Title: Authorized Signatory

ARES INVESTMENTS HOLDINGS LLC

By: /s/ Naseem Sagati
Name: Naseem Sagati
Title: Authorized Signatory

ARES FINANCE CO. LLC

By: /s/ Naseem Sagati
Name: Naseem Sagati
Title: Authorized Signatory

ARES OFFSHORE HOLDINGS L.P. ,

By: AOF Holdco LLC, its General Partner

By: /s/ Naseem Sagati
Name: Naseem Sagati
Title: Authorized Signatory
JPMORGAN CHASE BANK, N.A. ,

as Agent

By :____/s/ Michael Kusner________________

Name: Michael Kusner

Title: Vice President, JP Morgan

BANK OF AMERICA, N.A., as a Lender

By :____/s/ Matthew C. White ________

Name: Matthew C. White

Title: Director

WELLS FARGO BANK, N.A., as a Lender

By :_____/s/ Grannine M. Pergolini ____

Name: Grannine M. Pergolini

Title: Managing Director

Morgan Stanley Bank, N.A., as a Lender

By :_____/s/ Michael King ____

Name: Michael King

Title: Authorized Signatory

SunTrust Bank, as a Lender

By :_____/s/ Andrew Johnson ____

Name: Andrew Johnson

Title: Director

MUFG Union Bank, N.A., as a Lender

By :_____/s/ John Choi_____

Name: John Choi

Title: Vice President

CITIBANK, N.A., as a Lender

By :_____/s/ Erik Andersen_____

Name: Erik Andersen

Title: Vice President

Royal Bank of Canada, as a Lender

By :_____/s/ Greg DeRise_____

Name: Greg DeRise

Title: Authorized Signatory

State Street Bank and Trust Company, as a Lender

By :_____/s/ Janet Nolin_____

Name: Janet Nolin

Title: Vice President

Sumitomo Mitsui Banking Corporation, as a Lender

By :_____/s/ Christakis Droussiotis ____

Name: Christakis Droussiotis

Title: Managing Director

U.S. Bank National Association, as a Lender

By :_____/s/ Michael F. Ugliarolo ____

Name: Michael F. Ugliarolo

Title: Vice President

Barclays Bank PLC, as a Lender

By :_____/s/ Vanessa Kurbatskiy ____

Name: Vanessa Kurbatskiy

Title: Vice President

Goldman Sachs Bank USA, as a Lender

By :_____/s/ Ryan Durkin____

Name: Ryan Durkin

Title: Authorized Signatory

Credit Suisse AG, Cayman Islands Branch, as a Lender

By :_____/s/ Doreen Barr____

Name: Doreen Barr

Title: Authorized Signatory

By :_____/s/ Nicholas Goss____

Name: Nicholas Goss

Title: Authorized Signatory

Bank of New York Mellon, as a Lender

By :_____/s/ Bernard Lambert____

Name: Bernard Lambert

Title: Director

City National Bank, N.A., as a Lender

By :_____/s/ Brandon L. Feitelson____

Exhibit 10.15

Execution Version

Name: Brandon L. Feitelson, CFA

Title: Senior Vice President

ANNEX I

AMENDED CREDIT AGREEMENT

Amendment No. 7 reflecting changes to Conformed Credit Agreement through Amendment No. 6

SIXTH AMENDED AND RESTATED CREDIT AGREEMENT

dated as of

April 21, 2014

among

ARES HOLDINGS L.P.

ARES INVESTMENTS L.P.

The Guarantors Party Hereto

The Lenders Party Hereto

and

JPMORGAN CHASE BANK, N.A.

as Administrative Agent

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

J.P. MORGAN SECURITIES LLC

WELLS FARGO SECURITIES LLC

as Joint Lead Arrangers and Joint Bookrunners

Exhibit 10.15

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BANK OF AMERICA, N.A.

WELLS FARGO BANK, NATIONAL ASSOCIATION

as Syndication Agents

MORGAN STANLEY SENIOR FUNDING, INC.

SUNTRUST BANK

as Documentation Agents

Exhibit 10.15

Execution Version

TABLE OF CONTENTS

(continued)

Exhibit 10.15

Execution Version

Exhibit 10.15

Execution Version

EXHIBITS

SCHEDULES

Exhibit 10.15

Execution Version

SIXTH AMENDED AND RESTATED CREDIT AGREEMENT

THIS SIXTH AMENDED AND RESTATED CREDIT AGREEMENT, dated as of April 21, 2014 and effective as of the Restatement Effective Date, is entered into by and among, the lenders identified on the signature pages hereof (such lenders, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a " Lender " and collectively as the " Lenders ") and **JPMORGAN CHASE BANK, N.A.** , a national banking association (" JPMCB "), as administrative agent for the Lenders (together with its successors and assigns in such capacity, the " Agent "), **ARES HOLDINGS L.P.** , a Delaware limited partnership (including as successor by merger to Ares Domestic Holdings L.P.) (" Ares Holdings "), **ARES INVESTMENTS L.P.** , a Delaware limited partnership (including as successor by merger to Ares Real Estate Holdings L.P.) (" Ares Investments ", together with Ares Holdings are referred to hereinafter individually and collectively, jointly and severally, as the " Borrower ") and the Guarantors (as defined below) party hereto from time to time.

WHEREAS , Ares Management LLC (" Ares "), Ares Investments Holdings LLC (" AIH "), Agent and certain of the Lenders are parties to that certain Fifth Amended and Restated Credit Agreement, dated as of October 29, 2013 (as amended, restated, supplemented or otherwise modified from time to time before the date hereof, the " Existing Credit Agreement ");

WHEREAS , Ares will become a wholly owned indirect subsidiary of Ares Holdings and AIH will become a wholly owned subsidiary of Ares Investment;

WHEREAS , the parties to this Agreement wish to amend and restate the Existing Credit Agreement in its entirety as set forth herein; and

WHEREAS , the parties to this Agreement intend that the "Obligations" (as defined in the Existing Credit Agreement and as amended hereby) shall continue to exist under, and be evidenced by, this Agreement.

NOW, THEREFORE , the parties agree to amend and restate the Existing Credit Agreement in its entirety as follows:

DEFINITION AND CONSTRUCTION

Definitions

. For purposes of this Agreement (as defined below), the following initially capitalized terms shall have the following meanings:

" Adjusted EBITDA " means, with respect to any Person on a Stand Alone Basis, for any period of four consecutive fiscal quarters, the Net Income of such Person on a Stand Alone Basis for such period plus

(a) the sum, without duplication (including with respect to any item already added back to Net Income) and to the extent deducted in calculating Net Income, of the amounts for such period of:

(i) depreciation and amortization (including any purchase price amortization but excluding any marketing fee amortization);

(ii) Interest Expense;

(iii) income taxes;

(iv) non-recurring, extraordinary or unusual expenses, losses and charges; minus

(b) the sum, without duplication and to the extent included in Net Income, of the amounts (which may be negative) for such period of:

(i) any extraordinary, unusual or other non-recurring gains;

(ii) any non-cash items (other than accrual of Management Fees in the ordinary course of business) increasing Net Income, but excluding any such items in respect of which cash was received in a prior period (other than accrual of Management Fees in the ordinary course of business);

(i) interest and dividend income received in cash later than one fiscal quarter after the end of such period;

(ii) an amount equal to the Net Income attributable to Persons not constituting Loan Parties or Restricted Subsidiaries of Loan Parties (to the extent such Net Income is not distributed to a Loan Party during such period);

(iii) an amount equal to all earned Incentive Fees (other than the ARCC Part I Fees) included in Net Income for such period;

(iv) an amount equal to all unearned Incentive Fees included in Net Income for such period; and

(v) an amount equal to any "carried interest" or similar profit interest not constituting Incentive Fees and included in Net Income for such period;

provided that (1) in no event shall more than 15% of Management Fees and ARCC Part I Fees included in Adjusted EBITDA be comprised of amounts attributable to Designated Subsidiaries and (2) in no event shall more than 5% of Management Fees and ARCC Part I Fees included in Adjusted EBITDA be comprised of amounts attributable to Unrestricted Subsidiaries.

For purposes of calculating Adjusted EBITDA, for any period of four consecutive quarters, if at any time during such period (and after the Restatement Effective Date), a Loan Party or any of the Restricted Subsidiaries shall have consummated a New Acquisition, to the extent such acquired entity will continue to receive such related Net Income within one calendar quarter, or if the related payment cycle is longer than one quarter, within one such payment cycle, the Adjusted EBITDA for such period shall be calculated after giving pro forma effect to such New Acquisition as if such New Acquisition occurred on the first day of such period; provided that for four consecutive quarters following the consummation of any New Acquisition of the type specified in the proviso in the definition thereof, such pro forma adjustments shall include, without duplication: (i) from and after the consummation of such New Acquisition to the end of the first quarter thereafter, the projected annualized Adjusted EBITDA attributable to such New Acquisition as presented to the board of directors (or similar governing body) of the general partner of PTP (or of PTP, as applicable) based on Borrower's good faith estimate for such period; (ii) for the second quarter after the consummation of such New Acquisition, an amount equal to the sum of (A) the actual Adjusted EBITDA attributable to such New Acquisition for the first quarter after the consummation of such New Acquisition plus (B) the projected Adjusted EBITDA attributable to such New Acquisition for the three quarters following such first quarter as presented to the board of directors (or similar governing body) of the general partner of PTP (or of PTP, as applicable) based on Borrower's good faith estimate for such period; (iii) for the third quarter after the consummation of such New Acquisition, an amount equal to the sum of (A) the actual Adjusted EBITDA attributable to such New Acquisition for the first and second quarters after the consummation of such New Acquisition plus (B) the projected Adjusted EBITDA attributable to such New Acquisition for the two quarters following such second quarter as presented to the board of directors (or similar governing body) of the general partner of PTP (or of PTP, as applicable) based on Borrower's good faith estimate for such period; and (iv) for the fourth quarter after the consummation of such New Acquisition, an amount equal to the sum of (A) the actual Adjusted EBITDA attributable to such New Acquisition for the first, second and third quarters after the consummation of such New Acquisition plus (B) the projected Adjusted EBITDA attributable to such New Acquisition for the quarter following such third quarter as presented to the board of directors (or similar governing body) of the general partner of PTP (or of PTP, as applicable) based on Borrower's good faith estimate for such period.

" Administrative Entity " has the meaning set forth in Section 11.16 .

" Administrative Questionnaire " means an Administrative Questionnaire in a form supplied by the Agent.

" Advances " has the meaning set forth in Section 2.1(a) .

" Affiliate " means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by," and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of that Person, whether through the ownership of voting securities, by contract, or otherwise.

" Agent " has the meaning set forth in the preamble to this Agreement.

" Agent Fee Letter " means that certain Administrative Agent Fee Letter, dated as of the Closing Date, among the Agent, Ares Holdings, Ares Domestic Holdings, L.P., Ares Investments and Ares Real Estate Holdings L.P..

" Agent-Related Persons " means Agent, together with its Affiliates, officers, directors, employees, attorneys, and agents.

" Agent's Account " means the Deposit Account of Agent identified on Schedule A-1 .

" Agreement " means this Sixth Amended and Restated Credit Agreement among Borrower, the Guarantors, the Lenders, and Agent, together with all exhibits and schedules hereto, including the Disclosure Statement.

" Alternative Currency " means, with respect to any non-Dollar Advance or Letter of Credit, British Pounds Sterling, euros, Japanese Yen or another currency that may be agreed by Administrative Entity, Agent, each Lender, and in the case of any Letter of Credit, the Issuing Lender with respect to such Letter of Credit, so long as, in respect of any such specified Alternative Currency or other Alternative Currency, at such time (a) such Alternative Currency is dealt with in the London (or, in the case of British Pounds Sterling, Paris) interbank deposit market or, in the case of any Local Rate Currency, the relevant local market for obtaining quotations, and (b) no central bank or other governmental authorization in the country of issue of such Alternative Currency (including, in the case of the euro, any authorization by the European Central Bank) is required to permit use of such Alternative Currency by any Lender for making any Advance or purchasing a participation in any Letter of Credit hereunder and/or to permit the Borrower to borrow and repay the principal thereof and to pay the interest thereon, unless such authorization has been obtained and is in full force and effect.

" Alternative Currency Equivalent " means, with respect to any amount in Dollars, the amount of any Alternative Currency that could be purchased with such amount of Dollars using the reciprocal of the foreign exchange rate(s) specified in the definition of the term "Dollar Equivalent", as determined by the Agent.

" Amendment No. 5 Effective Date " means December 16, 2015.

" Amendment No. 7 Effective Date " means February 24, 2017.

" Anti-Corruption Laws " means all laws, rules, and regulations of any jurisdiction applicable to the Borrower, any other Loan Party or their respective Subsidiaries from time to time concerning or relating to bribery or corruption.

" Applicable Lending Office " means, for each Lender, the office of such Lender (or of a branch or affiliate of such Lender) designated for its Loans in its Administrative Questionnaire or such other office of such Lender (or of an affiliate or branch of such Lender) as such Lender may from time to time specify to the Borrower as the office by which its Loans to the Borrower of the respective type are to be made and maintained.

" Applicable Margin " means, for any day, with respect to any Base Rate Loan, LIBOR Rate Loan, Letter of Credit, or with respect to the commitment fees payable hereunder, as the case may be, a percentage equal to the percentage set forth below in the applicable column opposite the level corresponding to the applicable S&P/Moody's/Fitch Corporate Credit Rating(s):

Level	PTP's Senior Long-Term Unsecured Debt Ratings S&P/Fitch/Moody's Moody's to be included in the sole discretion of PTP, if applicable.	Commitment Fee Rate	Applicable Margin for LIBOR Rate Loans and Letters of Credit	Applicable Margin for Base Rate Loans
I	≥ A/A2	0.125%	1.125%	0.125%
II	A-/A3	0.15%	1.25%	0.25%
III	BBB+/Baa1	0.20%	1.50%	0.50%
IV	BBB/Baa2	0.25%	1.75%	0.75%
V	≤ BBB-/Baa3	0.30%	2.00%	1.00%

If there is only one credit rating with respect to PTP, the Applicable Margin shall be determined with reference to the Level below such credit rating. In the event of a split credit rating, the Applicable Margin shall be determined by the two highest credit ratings (each a " Relevant Rating " and together the " Relevant Ratings "). In the event the Relevant Ratings are different, the Applicable Margin shall be determined by (a) the higher of such Relevant Ratings, provided , however , the lower of such Relevant Ratings shall be no greater than one level below the higher of such Relevant Ratings or (b) in the event the lower of such Relevant Ratings is greater than one Level below the higher of such Relevant Ratings, the Applicable Margin shall be determined based on the Relevant Rating which is one Level below the higher of such Relevant Ratings. If the ratings established by S&P, Fitch or Moody's shall be changed, such change shall be effective as of the date on which it is first announced by the applicable rating agency and if none of S&P, Fitch or Moody's shall have in effect a credit rating, the Applicable Margin shall be based on Level V. Each change in the Applicable Margin shall apply during the period commencing on the effective date of the applicable change in ratings and ending on the date immediately preceding the effective date of the next such change in ratings. Upon the occurrence and during the continuance of an Event of Default, the Applicable Margin shall be based on Level V. Notwithstanding the foregoing, in the event that any of the aforementioned credit ratings with respect to PTP are unavailable, Borrower shall, at Borrower's option, substitute credit ratings with respect to Borrower in lieu thereof.

" Application Event " means the occurrence of (a) a failure by Borrower to repay in full all of the Obligations on the Maturity Date, or (b) an Event of Default and the election by Agent or the Required Lenders to terminate the Revolver Commitments and accelerate the Loans.

" Approved Increase " has the meaning set forth in Section 2.18(a) .

" ARCC " means Ares Capital Corporation, a Maryland corporation.

" ARCC Part I Fees " mean fees received from ARCC based on ARCC's net investment income which are paid quarterly.

" Ares Fund " means (i) any fund that is managed, co-managed, serviced or co-serviced, directly or indirectly, by a Loan Party or any Subsidiary of a Loan Party; (ii) any entity that, upon the making of an Investment therein or upon the acquisition of the related management rights with respect thereto, would be a fund under clause (i) of this definition or a Subsidiary of such a fund; (iii) any entity that Borrower intends, in good faith, to cause to become a fund under clause (i) of this definition or a Subsidiary of such a fund within a reasonable period of time; provided that if at any time Borrower no longer intends in good faith to cause such entity to become an Ares Fund or a Subsidiary of an Ares Fund within a reasonable period of time, such entity shall no longer constitute an Ares Fund; (iv) any entity established (or acquired) in connection with the formation or other administration of an Ares Fund or the primary purpose of which is to receive funds or other assets to be invested in, or constituting investments in, an Ares Fund, solely to the extent that (and for so long as) such entity conducts no other material business activities other than those related to the formation or other administration of an Ares Fund or the receiving of funds or other assets to be invested in, making investments with such funds in, holding interests in, or the investment activities related to, other Ares Funds or using such funds to purchase assets substantially all of which would be contributed to an Ares Fund or (v) any entity into which the Borrower in good faith believes an Investment has been made or that is acquired for the primary purposes of providing a strategic benefit to the Borrower, a Guarantor or any Affiliate thereof; provided if at any time any Person described above in any of clauses (i), (ii), (iii), (iv) or (v) of this definition receives any Management Fees owing to it (or if any Management Fees are payable, in whole or in part, to any such Person), such Person shall thereafter no longer be an Ares Fund for all purposes under this Agreement and the other Loan Documents.

" Ares Holdings " has the meaning set forth in the preamble to this Agreement.

" Ares Holdings Designated Account " means the deposit account of Ares Holdings (located within the United States) designated, in writing, and from time to time, by Ares Holdings to Agent.

" Ares Investments " has the meaning set forth in the preamble to this Agreement.

" Ares Investments Designated Account " means the deposit account of Ares Investments (located within the United States) designated, in writing, and from time to time, by Ares Investments to Agent.

" Ares Offshore " means Ares Offshore Holdings L.P., a Delaware limited partnership.

" Asset " means any interest of a Person in any kind of property or asset, whether real, personal, or mixed real and personal, or whether tangible or intangible.

" Assets Under Management " has the meaning set forth in Schedule D ; provided that for purposes of calculating compliance with Section 6.13(c) , the calculation of Assets Under Management shall exclude CLOs that are Ares Funds and any Assets managed by Designated Subsidiaries.

" Assignee " has the meaning set forth in Section 9.1(a) .

" Assignment and Acceptance " means an Assignment and Acceptance Agreement substantially in the form of Exhibit A-1 .

" Availability " means, as of any date of determination, the amount that Borrower is entitled to borrow as Advances hereunder (after giving effect to all then outstanding Advances and Letters of Credit).

" Back-to-Back Lending Facilities " shall mean credit facilities made available to the Loan Parties or their Affiliates for the purpose of funding loans or advances to Permitted Holders or Affiliates of the Loan Parties or their Affiliates, the proceeds of which are (a) invested in Ares Funds and/or (b) used by such Persons to purchase a direct or indirect equity ownership in a Loan Party or any Affiliate thereof in connection with one or more Benefit Plans.

" Bail-In Action " means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

" Bail-In Legislation " means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

" Bankruptcy Code " means Title 11 of the United States Code, as amended or supplemented from time to time, and any successor statute, and all of the rules and regulations issued or promulgated in connection therewith.

" Bankruptcy Event " means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, provided , further , that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

" Base LIBOR Rate " means, with respect to (A) any LIBOR Rate Loan in any LIBOR Quoted Currency and for any applicable Interest Period, the London interbank offered rate administered by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for such LIBOR Quoted Currency for a period equal in length to such Interest Period as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen or, in the event such rate does not appear on such Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate as shall be selected by the Agent from time to time in its reasonable discretion (the "LIBOR Screen Rate") at approximately 11:00 a.m., London time, on the Quotation Date for such Interest Period and (B) any LIBOR Rate Loan denominated in any Local Rate Currency and for any applicable Interest Period, the applicable Local Screen Rate for such Local Rate Currency; provided, that, if a LIBOR Screen Rate or a Local Screen Rate, as applicable, shall not be available at the applicable time for the applicable Interest Period (the " Impacted Interest Period "), then the Base LIBOR Rate shall be the Interpolated Rate at such time, subject to Section 2.14 , and provided further, that, if the Base LIBOR Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

" Base Rate " means the highest of (i) the rate of interest publicly announced by Agent as its prime rate in effect at its principal office in New York City (the " Prime Rate "), (ii) the Federal Funds Rate from time to time plus 0.50% and (iii) the LIBOR Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1.00% (which shall be the relevant rate appearing on the relevant Reuters screen page at approximately 11:00 a.m. London time on such day).

" Base Rate Loan " means each portion of the Advances bearing interest based on the Base Rate.

" Benefit Plan " means those certain equity incentive or ownership programs established by any Loan Party or any of its Subsidiaries in good faith to provide equity ownership or participation to Permitted Holders and other Persons associated or affiliated with a Loan Party or any Affiliate thereof and not for the purpose of or in view of avoiding the obligations of Borrower as set forth in this Agreement.

" Borrower " has the meaning set forth in the preamble to this Agreement.

" British Pounds Sterling " means the lawful currency of England.

" Business Day " means a day when major commercial banks are open for business in New York, New York, other than Saturdays or Sundays and if such day relates to a borrowing or continuation of, a payment or prepayment of principal of or interest on, or the Interest Period for, any Loan or Letter of Credit denominated in any Alternative Currency, or to a notice by the Borrower with respect to any such borrowing, continuation, payment, prepayment or Interest Period, that is also a day on which commercial banks and the London foreign exchange market settle payments in the Principal Financial Center for such Alternative Currency and, if on that day there is a payment in euro to be made, a TARGET Day.

" Capitalized Lease Obligations " means the aggregate amount which, in accordance with GAAP, is required to be reported as a liability on the balance sheet of Person at such time in respect of such Person's interest as lessee under a capitalized lease.

" Cash Equivalents " means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within 1 year from the date of acquisition thereof, (b) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within 1 year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor's Rating Group (" S&P ") or Moody's Investors Service, Inc. (" Moody's "), (c) commercial paper maturing no more than 270 days from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's, (d) certificates of deposit or bankers' acceptances maturing within 1 year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state thereof having at the date of acquisition thereof combined capital and surplus of not less than $250,000,000, (e) demand deposit accounts maintained with any bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than $1,000,000,000, so long as the amount maintained with any individual bank is less than or equal to $1,000,000 and is insured by the Federal Deposit Insurance Corporation, or larger amounts, to the extent that such amounts are covered by insurance which is reasonably satisfactory to Agent, (f) demand deposit accounts maintained with any of the financial institutions listed on Schedule A-2 hereto (as may be modified from time to time upon reasonably prompt written notice to the Agent following the establishment of such an account), Affiliates thereof, or any Lender that is a bank that is insured by the Federal Deposit Insurance Corporation, and (g) Investments in money market funds substantially all of whose assets are invested in the types of assets described in clauses (a) through (e) above.

" Change in Law " means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or any Issuing Lender (or, for purposes of Section 2.13(b) , by any lending office of such Lender or by such Lender's or such Issuing Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement. For the purposes hereof, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder issued in connection therewith or in implementation thereof and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or any applicable national, foreign or regulatory authorities implementing the same, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or implemented.

" Change of Control Event " means the occurrence of any of the following:

(i) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act and the rules of the SEC thereunder as in effect on the date hereof) other than the Permitted Holders or any direct or indirect holder of PTP immediately prior to the IPO Event, of Securities representing more than 40% of the aggregate voting power represented by the issued and outstanding Securities of PTP (including, without limitation, the special voting unit of PTP held by Ares Voting LLC); (ii) occupation of a majority of the seats (other than vacant seats) on the board of directors (or similar governing body) of the general partner of PTP (or of the PTP, as applicable) by Persons who were neither (A) nominated by the board of directors (or similar governing body) of the general partner of PTP (or of PTP, as applicable), Permitted Holders or an entity controlled by one or more of the Permitted Holders nor (B) appointed by directors or the equivalent so nominated; (iii) the acquisition of direct or indirect control of PTP by any Person or group other than the Permitted Holders or any direct or indirect holder of PTP immediately prior to the IPO Event; or (iv) PTP together with the Permitted Holders cease to directly or indirectly own and control at least 50.1% of the outstanding Securities issued by each of the Loan Parties.

" CLO Management Subsidiary " means, unless otherwise designated by the Administrative Entity, (a) any Subsidiary of a CLO Management Subsidiary and (b) any other Subsidiary of a Loan Party designated by the Administrative Entity as a CLO Management Subsidiary pursuant to Section 5.10.

" Closing Date " means April 21, 2014.

" CNB " means City National Bank, N.A.

" Code " means the Internal Revenue Code of 1986, as amended or supplemented from time to time, and any successor statute, and all of the rules and regulations issued or promulgated in connection therewith.

" Compliance Certificate " means a certificate substantially in the form of Exhibit C delivered by the chief financial officer of Administrative Entity to Agent.

" Confirmation Agreement " means the confirmation agreement dated as of the Restatement Effective Date made by Ares Holdings LP (as successor by conversion to Ares Holdings LLC) and Ares Investments LP (as successor by conversion to Ares Investments LLC), and acknowledged by the Loan Parties (other than Ares Holdings LP and Ares Investments LP) and the Agent in substantially the form of Exhibit D .

" Contingent Obligation " means, as to any Person and without duplication of amounts, any written obligation of such Person guaranteeing or intended to guarantee (whether guaranteed, endorsed, co-made, discounted, or sold with recourse to such Person) any Debt, noncancellable lease, dividend, reimbursement obligations relating to letters of credit, or any other obligation that pertains to Debt, a noncancellable lease, a dividend, or a reimbursement obligation related to letters of credit (each, a " primary obligation ") of any other Person (" primary obligor ") in any manner, whether directly or indirectly, including any written obligation of such Person, irrespective of whether contingent, (a) to purchase any such primary obligation, (b) to advance or supply funds (whether in the form of a loan, advance, stock purchase, capital contribution, or otherwise) (i) for the purchase, repurchase, or payment of any such primary obligation or any Asset constituting direct or indirect security therefor, or (ii) to maintain working capital or equity capital of the primary obligor, or otherwise to maintain the net worth, solvency, or other financial condition of the primary obligor, or (c) to purchase or make payment for any Asset, securities, services, or noncancellable lease if primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation.

" Contractual Obligation " means, as applied to any Person, any material provision of any material indenture, mortgage, deed of trust, contract, undertaking, agreement, or other instrument to which that Person is a party or by which any of its Assets is subject.

" Control " means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. " Controlling " and " Controlled " have meanings correlative thereto.

" Currency " means Dollars or any Alternative Currency.

" Currency Valuation Notice " has the meaning set forth in Section 2.8 .

" Daily Balance " means, as of any date of determination and with respect to any Obligation, the amount of such Obligation owed at the end of such day.

" Debt " means, with respect to any Person, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations of such Person in respect of letters of credit (including contingent obligations in respect of undrawn letters of credit), bankers acceptances, interest rate swaps, other Hedging Agreements, or other financial products, (c) all obligations of such Person to pay the deferred purchase price of Assets or services (exclusive of (i) trade payables that are due and payable in the ordinary and usual course of such Person's business and (ii) any purchase price adjustment, deferred purchase price or earnout incurred in connection with an acquisition, except to the extent that the amount payable pursuant to such purchase price adjustment, deferred purchase price or earnout is, or becomes, a liability on the balance sheet of such Person in accordance with GAAP (other than with respect to any portion of such liability that can be settled at all times at the sole option of such Person through the issuance of equity interests)), (d) all Capitalized Lease Obligations of such Person, (e) all obligations or liabilities of others secured by a Lien on any Asset owned by such Person, irrespective of whether such obligation or liability is assumed, to the extent of the lesser of such obligation or liability or the fair market value of such Asset, and (f) all Contingent Obligations of such Person. Notwithstanding any provision in this Agreement to the contrary, for purposes of calculating outstanding Debt with respect to any covenant calculation or compliance hereunder (including but not limited to compliance with Section 6.13 or any reference thereto), such calculation of Debt shall be net of any cash of PTP, the Loan Parties or any of their respective Subsidiaries (including but not limited to any cash on hand as a result of the incurrence of any indebtedness (including any indebtedness incurred hereunder)); provided that (A) the netting of any cash on hand as a result of the incurrence of any indebtedness that is not repaid within 7 days of such incurrence shall be capped at no greater than $750,000,000 and (B) all netted cash shall be used solely to repay existing Debt, fund the consummation of a New Acquisition, or transactions related thereto, which in the case of netted cash of PTP, shall be applied in accordance with this clause (B) within 60 days of the date on which such cash is first netted for purposes of Section 6.13(b).

" Defaulting Lender " means any Lender that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or (iii) pay over to any member of the Lender Group any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower or any member of the Lender Group in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a Loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by any member of the Lender Group, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans and participations in then outstanding Letters of Credit under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Person's receipt of such certification in form and substance satisfactory to it and the Agent, (d) has become the subject of a Bankruptcy Event or (e) becomes the subject of a Bail-In Action.

" Defaulting Lender Rate " means (a) for the first 3 days from and after the date the relevant payment is due, the Federal Funds Rate, and (b) thereafter, the interest rate then applicable to Advances that are Base Rate Loans.

" Deposit Account " means any "deposit account" (as that term is defined in the UCC).

" Designated Subsidiary " means any CLO Management Subsidiary or any Unrestricted Subsidiary.

" Direct Competitor " means any Person who is a direct competitor of PTP or any of its Subsidiaries if Agent and the assigning Lender have actual knowledge of the foregoing (including, upon notification by Borrower); provided that in connection with any assignment or participation, the assignee with respect to such proposed assignment that is an investment bank, a commercial bank, a finance company, a fund or other entity which merely has an economic interest in any such Person, and is not itself such a direct competitor of PTP, shall be deemed not to be a Direct Competitor for the purposes of this definition so long as it does not exercise direct control over, or is controlled directly or indirectly by, such Person that is a direct competitor of PTP.

" Disclosure Statement " means that certain statement, executed and delivered by a Responsible Officer of Administrative Entity as of the Restatement Effective Date, that sets forth information regarding or exceptions to the representations, warranties, and covenants made by the Loan Parties herein, as amended from time to time to the extent permitted hereby.

" Distribution " has the meaning set forth in Section 6.5 .

" Dollars " or " $ " means United States dollars.

" Dollar Equivalent " means, on any date of determination, with respect to an amount denominated in any Alternative Currency, the amount of Dollars that would be required to purchase such amount of such Alternative Currency on the date two Business Days prior to such date, based upon the spot selling rate at which the Agent offers to sell such Alternative Currency for Dollars in the London foreign exchange market at approximately 11:00 a.m., London time, for delivery two Business Days later.

" EEA Financial Institution " means (a) any institution established in any EEA Member Country which is subject to the supervision of an

EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

" EEA Member Country " means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

" EEA Resolution Authority " means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

" Eligible Transferee " means (a) a commercial bank organized under the laws of the United States, or any state thereof, (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development or a political subdivision of any such country, (c) a finance company, insurance company, financial institution, or fund that is engaged in making, purchasing, or otherwise investing in commercial loans in the ordinary course of its business, (d) any Lender, (e) any Affiliate (other than individuals) of a Lender, and (f) any other Person approved by Agent and, so long as no Event of Default has occurred and is continuing, Administrative Entity (which approval of Administrative Entity, except in the case of a proposed assignment to a Direct Competitor, and Agent shall not be unreasonably withheld, delayed, or conditioned, provided that the Administrative Entity shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Agent within 5 Business Days after having received notice thereof); provided that "Eligible Transferee" shall not in any event include (i) the Borrower or any of its Affiliates, (ii) a natural person, (iii) any holding company or investment vehicle for, or owned and operated for the primary benefit of, a natural person and/or family members or relatives of such person and (iv) any trust for the primary benefit of a natural person and/or family members or relatives of such person, other than any entity referred to in clause (iii) or (iv) that (x) has not been formed or established for the primary purpose of acquiring any Loans or Total Commitments under this Agreement, (y) is managed by a professional adviser (other than said natural person or family members or relatives of such person) having significant experience in the business of making or purchasing commercial loans, and (z) has assets of greater than $25,000,000 and a significant part of the business, activities or operations of which consist of making or purchasing (by assignment as principal), commercial loans and similar extensions of credit in the ordinary course.

" EU Bail-In Legislation Schedule " means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

" euro " means the single currency of Participating Member States of the European Union.

" Eurocurrency Reserve Requirement " means the sum (without duplication) of the rates (expressed as a decimal) of reserves (including, without limitation, any basic, marginal, supplemental, or emergency reserves) that are required to be maintained by banks during the Interest Period under any regulations of the Federal Reserve Board, or any other governmental authority having jurisdiction with respect thereto, applicable to funding based on so-called "Eurocurrency Liabilities", including Regulation D (12 CFR 224).

" Eurodollar Business Day " means any Business Day on which major commercial banks are open for international business (including dealings in Dollar deposits) in New York, New York and London, England.

" Event of Default " has the meaning set forth in Article VII .

" Exchange Act " means the Securities Exchange Act of 1934, as amended or supplemented from time to time, and any successor statute, and all of the rules and regulations issued or promulgated in connection therewith.

" Excluded Taxes " means, with respect to the Agent, any Lender, any Issuing Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income, branch profits or franchise taxes imposed on (or measured by) its net income by the United States, or by the jurisdiction under the laws of which such recipient is organized or resident for tax purposes, in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located, (c) any withholding tax (other than withholding taxes imposed on an assignee of a Foreign Lender pursuant to a request by the Borrower under Section 11.2) that is imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Lender's failure to comply with Section 2.23(e) , (f) or (g) , except to the extent that such Lender is a Foreign Lender and such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.23(a) , and (d) any withholding taxes imposed under FATCA.

" Existing Credit Agreement " has the meaning set forth in the recitals to this Agreement.

" Existing Letters of Credit " means each Letter of Credit that is outstanding under the Existing Credit Agreement on the Restatement Effective Date.

" Family Member " means, with respect to any individual, any other individual having a relationship by blood (to the second degree of consanguinity), marriage, or adoption to such individual.

" Family Trusts " means, with respect to any individual, trusts or other estate planning vehicles established for the primary benefit of such individual or Family Members of such individual and in respect of which such individual or a bona fide third party trustee serves as trustee or in a similar capacity.

" FATCA " shall mean Sections 1471 through 1474 of the Code, including any regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code or intergovernmental agreement (and implementing laws) pursuant to any of the foregoing.

" Federal Funds Rate " shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the next 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with member banks of the Federal Reserve System arranged by Federal funds brokers, as published by the Federal Reserve Bank of New York on the next succeeding Business Day or if such rate is not so published for any Business Day, the Federal Funds Rate for such day shall be the average rounded upwards, if necessary, to the next 1/100th of 1% of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent, provided, that, if the Federal Funds Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

" Federal Reserve Board " means the Board of Governors of the Federal Reserve System or any successor thereto.

" Fee Generating Entity " has the meaning set forth in the definition of "New Management Fee Asset".

" Fee Letter " means the Agent Fee Letter and any fee letter between the Borrower and any member of the Lender Group (or any Affiliate of any member of the Lender Group) relating to this Agreement.

" Financial Officer " of any Person shall mean the Chief Financial Officer, principal accounting officer, Treasurer, Assistant Treasurer or Controller of such Person or of the general partner of such Person.

" FINRA " means the Financial Industry Regulatory Authority.

" Foreign Lender " means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

" Foreign Subsidiary " means, with respect to any Person, any Subsidiary of such Person (a)(i) that is not organized or incorporated under the laws of the United States, any state of the United States or the District of Columbia and (ii) that has not become a Loan Party in accordance with Section 5.7 or (b) whose direct or indirect parent is a Foreign Subsidiary.

" Fund " means (a) any Ares Fund, (b) any co-investment vehicle established in connection with an Ares Fund or acquired in connection with the acquisition of an Ares Fund, (c) any entity established (or acquired) in connection with an Ares Fund to serve as the general partner, managing member or other similar role in connection with such Ares Fund, and (d) any other investment fund or managed account (and related co-investment vehicles) established (or acquired) directly or indirectly by the Loan Parties; provided if at any time any Person described above in any of clauses (a), (b), (c) or (d) of this definition receives any Management Fees owing to it (or if any Management Fees are payable, in whole or in part, to any such Person), such Person shall thereafter no longer be a Fund for all purposes under this Agreement and the other Loan Documents.

" Funding Date " means the date on which any Advance is made by the Lenders.

" Funding Losses " has the meaning set forth in Section 2.6(b)(ii) .

" GAAP " means generally accepted accounting principles in the United States in effect from time to time.

" Governing Documents " means, with respect to any Person, the certificate or articles of incorporation, by-laws, or other organizational documents of such Person.

" Governmental Authority " means to any federal, state, local, or other governmental department, commission, board, bureau, agency, central bank, court, tribunal, or other instrumentality, domestic or foreign.

" Guarantors " means (a) Ares, AIH, Ares Finance Co. LLC, and Ares Offshore Holdings L.P. and (b) each other Person who from time to time guarantees the Debt of Borrower to the Lender Group under the Loan Documents pursuant to the provisions of Section 5.7 , and " Guarantor " means any one of them.

" Guaranty " means the guaranty provided for under Article XII of this Agreement.

" Hedging Agreement " means any interest rate, foreign currency, commodity or equity swap, collar, cap, floor or forward rate agreement, or other agreement or arrangement designed to protect against fluctuations in interest rates or currency, commodity or equity values (including any option with respect to any of the foregoing and any combination of the foregoing agreements or arrangements), and any confirmation executed in connection with any such agreement or arrangement.

" Holdout Lender " has the meaning set forth in Section 11.2 .

" Impacted Interest Period " has the meaning set forth in the definition of "Base LIBOR Rate".

" Incentive Fee " means, with respect to any Fund, any payment or distribution received in respect of any "carried interest" or similar profit interest in such Fund (including incentive or performance fees dependent on investment performance or results); provided that "Incentive Fees" shall not include that portion of any "carried interest", similar profit interest, incentive fee or performance fee in any Fund accruing to any co-invest entity or otherwise directly or indirectly to the individuals providing or who have provided investment management services to such Fund, or the current or former members, partners, employees, executives, consultants, contractors or advisors of the Loan Parties or any of their Affiliates, or allocable under GAAP to any Person that is not the manager or general partner of such Fund.

" Increase Effective Date " has the meaning set forth in Section 2.18(a) .

" Increase Joinder " has the meaning set forth in Section 2.18(a) .

" Indemnified Liabilities " has the meaning set forth in Section 8.2 .

" Indemnified Taxes " means Taxes other than Excluded Taxes.

" Indemnitee " has the meaning set forth in Section 8.2 .

" Insolvency Proceeding " means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other state or federal bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

" Intercompany Subordination Agreement " means that certain Subordination Agreement, dated as of the Closing Date, among the Loan Parties and Agent.

" Interest Expense " means, for any Person with respect to any period, the aggregate interest expense (both accrued and paid) of such Person and its Subsidiaries for such period on a Stand Alone Basis, including the portion of any payments or accruals with respect to Capitalized Lease Obligations allocable to interest expense, in each case, determined in accordance with GAAP, plus any net hedging interest payments (or minus any net interest hedging amounts received in cash), excluding any mark to market gain or loss from the underlying hedge instrument. For purposes of calculating Interest Expense, for any period, if at any time during such period (and after the Restatement Effective Date) such Person or any of its Subsidiaries shall have assumed or acquired any Person obligated to pay any Debt, Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such acquisition of Debt occurred on the first day of such period.

" Interest Payment Date " means, (x) in the case of Base Rate Loans, the first day of each fiscal quarter and, (y) in the case of LIBOR Rate Loans, the last day of the applicable Interest Period, provided , however , that in the case of any Interest Period greater than 3 months in duration, interest shall be payable at 3 month intervals after the commencement of the applicable Interest Period and on the last day of such Interest Period.

" Interest Period " means, with respect to any LIBOR Rate Loan, the period commencing on the date such LIBOR Rate Loan is made (including the date a Base Rate Loan is converted to a LIBOR Rate Loan, or a LIBOR Rate Loan is renewed as a LIBOR Rate Loan, which, in the latter case, will be the last day of the expiring Interest Period) and ending on the date which is one (1), two (2), three (3), or six (6) months thereafter, as selected by Borrower, or twelve (12) months thereafter, as requested by Borrower and approved by the Lenders; provided , however , that no Interest Period may extend beyond the Maturity Date.

" Interpolated Rate " means, at any time, for any Impacted Interest Period, the rate per annum (rounded upward to four decimal places) determined by the Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the applicable Screen Rate (for the longest period for which the applicable Screen Rate is available for the applicable currency) that is shorter than such Impacted Interest Period and (b) the applicable Screen Rate for the shortest period (for which such Screen Rate is available for the applicable currency) that exceeds such Impacted Interest Period, in each case, at such time.

" Investment " means, as applied to any Person, any direct or indirect purchase or other acquisition by that Person of, or beneficial interest in, stock, instruments, bonds, debentures or other securities of any other Person, or any direct or indirect loan, advance, or capital contribution by such Person to any other Person, including all indebtedness and accounts receivable due from that other Person that did not arise from sales or the rendition of services to that other Person in the ordinary and usual course of such Person's business, and deposit accounts (including certificates of deposit).

" IPO Event " means an underwritten public offering by PTP pursuant to an effective registration statement filed with the Securities and Exchange Commission in accordance with the Securities Act.

" Issuing Lender " means, with respect to the Existing Letters of Credit or any Letter of Credit, JPMCB, Bank of America, N.A., Wells Fargo Bank, National Association, or any other Lender that, at the request of Borrower and with the consent of Agent, agrees, in such Lender's sole discretion, to become an Issuing Lender for the purpose of issuing Letters of Credit pursuant to Section 2.10 . Any Issuing Lender may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Lender, in which case the term "Issuing Lender" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

" Japanese Yen " means the lawful currency of Japan.

" JPMCB " has the meaning set forth in the preamble to this Agreement.

" L/C Disbursement " means a payment made by any Issuing Lender to a beneficiary of a Letter of Credit pursuant to such Letter of Credit.

" Lender " and " Lenders " have the respective meanings set forth in the preamble to this Agreement, and shall include any other Person made a party to this Agreement in accordance with the provisions of Section 9.1 .

" Lender Group " means, individually and collectively, each of the Lenders (including each of the Issuing Lenders) and Agent.

" Lender Group Expenses " means all (a) reasonable costs or expenses (including taxes, and insurance premiums) required to be paid by Borrower or any other Loan Party under any of the Loan Documents that are paid, advanced, or incurred by Agent, (b) reasonable fees or charges paid or incurred by Agent in connection with the Lender Group's transactions with Borrower or any other Loan Party, including, fees or charges for photocopying, notarization, couriers and messengers, (c) costs and expenses incurred by Agent in the disbursement of funds to Borrower or other members of the Lender Group (by wire transfer or otherwise), (d) charges paid or incurred by Agent resulting from the dishonor of checks, (e) reasonable costs and expenses paid or incurred by Agent or any Lender to correct any default or enforce any provision of the Loan Documents (f) reasonable costs and expenses of third party claims or any other suit paid or incurred by the Agent or any Lender in enforcing or defending the Loan Documents or in connection with the transactions contemplated by the Loan Documents or the Lender Group's relationship with any Loan Party, (g) Agent's reasonable costs and expenses (including attorneys' fees of one counsel) incurred in advising, structuring, drafting, reviewing, administering, syndicating, or amending the Loan Documents, and (h) Agent's and each Lender's costs and expenses (including attorneys, accountants, consultants, and other advisors fees and expenses) incurred in terminating, enforcing (including attorneys, accountants, consultants, and other advisors fees and expenses incurred in connection with a "workout," a "restructuring," or an Insolvency Proceeding concerning Borrower or any other Loan Party or in exercising rights or remedies under the Loan Documents), or defending the Loan Documents, irrespective of whether suit is brought, or in taking any remedial action.

" Lender-Related Person " means, with respect to any Lender, such Lender, together with such Lender's Affiliates, officers, directors, employees, attorneys, and agents.

" Letter of Credit " has the meaning set forth in Section 2.10(a) .

" Letter of Credit Collateral Account " has the meaning set forth in Section 2.10(g) .

" Letter of Credit Commitment " means

" Letter of Credit Commitment " means (i) with respect to JPMCB, $10,000,000 (or such greater amount as may be agreed between Borrower and JPMCB),

(ii) with respect to Bank of America, N.A., $10,000,000 (or such greater amount as may be agreed between Borrower and Bank of America, N.A.), (iii) with respect to Wells Fargo Bank, National Association, $10,000,000 (or such greater amount as may be agreed between Borrower and Wells Fargo Bank, National Association) and (iv) with respect to any other Issuing Lender, such amount as may be agreed between Borrower and such Issuing Lender; provided that the aggregate Letter of Credit Commitment for all such Issuing Lenders shall in no event exceed $200,000,000.

" Letter of Credit Fee " has the meaning set forth in Section 2.3(g) .

" Letter of Credit Usage " means, as of any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit plus the aggregate amount of all L/C Disbursements in respect of such Letters of Credit that have not yet been reimbursed by or on behalf of the Borrower at such time.

" LIBOR Quoted Currency " means Dollars, British Pounds Sterling, euros, Japanese Yen, or any other Alternative Currency which is dealt with in the London interbank deposit market.

" LIBOR Rate " means the rate per year (rounded upward to the next one-sixteenth (1/16th) of one percent (0.0625%), if necessary) determined by Agent to be the quotient of (a) the Base LIBOR Rate divided by (b) one minus the Eurocurrency Reserve Requirement for the Interest Period; which is expressed by the following formula:

Base LIBOR Rate divided by (1 - Eurocurrency Reserve Requirement).

" LIBOR Rate Loan " means each portion of an Advance bearing interest based on the LIBOR Rate.

" Lien " means any lien, hypothecation, mortgage, pledge, assignment (including any assignment of rights to receive payments of money) for security, security interest, charge, or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

" Loan " means an Advance made by the Lenders (or Agent on behalf thereof) to Borrower pursuant to Section 2.1 , and " Loans " means all such Advances.

" Loan Documents " means this Agreement, the Letters of Credit, the Intercompany Subordination Agreement, the Confirmation Agreement, each Fee Letter, and any and all other documents, agreements, or instruments that have been or are entered into by Borrower or any Guarantor, on the one hand, and Agent, on the other hand, in connection with the transactions contemplated by this Agreement.

" Loan Party " means the Borrower, any other entity comprising the Borrower from time to time or any Guarantor, and " Loan Parties " means, collectively, jointly and severally, the Borrower, each other entity comprising the Borrower from time to time and the Guarantors.

" Loan Party Joinder Agreement " shall mean a Loan Party Joinder Agreement executed by a new Loan Party and the Administrative Agent in substantially the form of Exhibit A-3 or such other form agreed to by the Borrower and the Administrative Agent.

" Local Bank Reference Rate " means, with respect to any Interest Period for a Local Rate Currency, the average bid reference rate as administered by the applicable administrator of that rate (or any other Person that takes over the administration of that rate) for such Local Rate Currency with a tenor equal to such Interest Period, displayed on the page applicable for such currency of the Reuters screen (or, in the event such rate does not appear on such Reuters page, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Agent in its reasonable discretion, (the " Local Screen Rate ")) at a time as selected by the Agent in its discretion on the Quotation Day for such Interest Period.

" Local Rate " means for Loans in a Local Rate Currency, the Local Bank Reference Rate for that currency.

" Local Rate Currency " means any Alternative Currency which is not dealt with in the London (or, in the case of British Pounds Sterling, Paris) interbank deposit market.

" Local Screen Rate " has the meaning assigned to such term in the definition of "Local Bank Reference Rate".

" Local Time " means, with respect to any Loan or Letter of Credit denominated in or any payment to be made in any Currency, the local time in the Principal Financial Center for the Currency in which such Loan is denominated or such payment is to be made.

" Management Fee " means, with respect to any Fund, any management, servicing or administrative fee and any other similar (and regularly recurring) compensation paid by such Fund or portfolio company for the management, servicing, administration or similar function performed in connection with such Fund or portfolio company (excluding for the avoidance of doubt, any Incentive Fee), in each case, as would appear as management fees on the financial statements of the Loan Parties and their consolidated Subsidiaries on a Stand-Alone Basis.

" Margin Securities " means "margin stock" as that term is defined in Regulation U of the Federal Reserve Board.

" Material Adverse Effect " means, with respect to a specified Person, a material and adverse effect on the business, operations, Assets, or condition (financial or otherwise) of such Person and its Subsidiaries, taken as a whole.

"Material Operating Group Entity" means any Operating Group Entity existing on the Closing Date or formed or acquired thereafter that owns or controls (a) any investment or asset management services, financial advisory services, money management services, merchant banking activities or similar or related business, including but not limited to a business providing services to mutual funds, private equity or debt funds, hedge funds, funds of funds, corporate or other business entities or individuals or (b) any person that makes investments, including investments in funds of the type specified in clause (a); provided, however, that, for the avoidance of doubt, none of the Ares Holdings Inc., Ares Offshore Holdings, Ltd., Ares Holdco LLC, AOF Holdco LLC, AI Holdco LLC, AI Holdings, L.P., any Fund or any Subsidiary of a Fund shall be a "Material Operating Group Entity" hereunder.

"Maturity Date" means the earlier to occur of (a) February 24, 2022 or (b) such earlier date on which the Loans shall become due and payable in accordance with the terms of this Agreement and the other Loan Documents.

"Maximum Revolver Amount" means, as of any date after giving effect to the Restatement Effective Date, $1,040,000,000 as such amount may be reduced pursuant to Section 2.9; provided, however, to the extent there is an increase in Revolver Commitments pursuant to Section 2.18, the foregoing "$1,040,000,000" shall thereafter be deemed to be increased upon the effectiveness of, and to the extent of, such increase.

"Moody's" has the meaning set forth in the definition of "Cash Equivalents" hereto.

"Net Income" means, with respect to any Person for any period, the net income (loss) of such Person for such period on a Stand Alone Basis, determined in accordance with GAAP, but excluding from the determination of Net Income all realized and unrealized gains and losses on Investments incurred by such Person during such period.

"New Acquisition" means any acquisition by a Loan Party or a Subsidiary of a Loan Party of Assets after the Closing Date, to the extent otherwise permitted by this Agreement, provided that, for all purposes of this Agreement, any acquisition by a portfolio company or Fund for which a Loan Party or Subsidiary contributes consideration in connection with such acquisition and such acquisition will directly or indirectly result in increased Management Fees for any Loan Party or Subsidiary shall be deemed to be a New Acquisition.

"New Management Fee Assets" means, for any New Acquisition (other than any Ares Fund that is a CLO or Assets that are managed by a Designated Subsidiary) and determined immediately upon the consummation of such New Acquisition, the aggregate amount (without duplication and calculated on a consistent basis with "Assets Under Management") for the applicable fund and any Person or asset pool subject to an asset management contract that requires payment of Management Fees included in such New Acquisition (any of the foregoing funds, Persons or asset pools, a "Fee Generating Entity") of invested capital in such Fee Generating Entities to the extent Management Fees are earned thereon (whether such Management Fees are calculated on a percentage or a flat fee basis, provided that the amount of invested capital on which any Management Fees are calculated on a flat fee basis shall exclude the amount thereof funded from Debt) and only to the extent such Fee Generating Entity would also constitute a Fund upon the consummation of such New Acquisition.

" Obligations " means all loans (including the Advances), debts, principal, interest (including any interest that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), premiums, liabilities, contingent reimbursement obligations with respect to outstanding Letters of Credit, obligations (including indemnification obligations), fees (including the Letter of Credit Fee and the fees provided for in any Fee Letter), charges, costs, expenses (including Lender Group Expenses) (including any portion thereof that accrues after the commencement of an Insolvency Proceeding, whether or not allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), lease payments, guaranties, covenants, and duties of any kind and description incurred and outstanding by Borrower to the Lender Group pursuant to or evidenced by the Loan Documents and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all interest not paid when due and all expenses that Borrower is required to pay or reimburse by the Loan Documents, by law, or otherwise. Any reference in this Agreement or in the Loan Documents to the Obligations shall include all extensions, modifications, renewals, or alterations thereof, both prior and subsequent to any Insolvency Proceeding.

" Operating Group Entity " means each Guarantor and any person that is a direct Subsidiary of PTP.

" Originating Lender " has the meaning set forth in Section 9.1(d) .

" Other Taxes " means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

" Participant " has the meaning set forth in Section 9.1(d) .

" Participating Member State " means any member state of the European Community that adopts or has adopted the euro as its lawful currency in accordance with the legislation of the European Union relating to the European Monetary Union.

" Permitted Discretion " means a determination made in the exercise of reasonable (from the perspective of a lender) business judgment.

" Permitted Holders " means Ares Owners Holdings L.P. and current and former partners, senior management and employees of any Loan Party and its Affiliates and their Family Members and their Family Trusts, in each case, as of the Closing Date.

" Permitted Investments " means (a) Investments in cash and Cash Equivalents; (b) Investments in negotiable instruments for collection; (c) advances made in connection with purchases of goods or services in the ordinary course of business; (d) any Investments to the extent that (i) the Distribution by Borrower of the cash, Cash Equivalents or other Assets used to fund such Investment or transfer would not have violated this Agreement, (ii) such Investment or such transfer would not otherwise result in an Event of Default or an Unmatured Event of Default, and (iii) after giving pro-forma effect thereto, the Borrower would be in compliance with Section 6.13 ; (e) loans and advances to employees, partners or officers of any Loan Party or its Affiliates in the nature of travel advances, advances against salary and other similar advances in an aggregate outstanding amount at any one time not in excess of $50,000,000; (f) other Investments existing on the Closing Date described in the Disclosure Statement with respect to Section 6.3 hereof; (g) deposits, prepayments and other credits to suppliers made in the ordinary course of business consistent with past practices of any Loan Party or any Subsidiary; (h) Investments of any Loan Party or any Subsidiary under any Hedging Agreement so long as such Hedging Agreements are used solely as a part of its normal business operations as a risk management strategy or hedge against changes resulting from market operations and not as a means to speculate for investment purposes on trends and shifts in financial or commodities markets; (i) existing Investments of Persons acquired to the extent such acquisition is otherwise permitted hereunder and so long as such Investment was not made in contemplation of such acquisition; (j) Investments in the form of Letters of Credit issued by Agent on behalf of Borrower to support the credit obligations of a Fund; (k) Investments comprising general partnership interests held by Subsidiaries in Funds; (l) other Investments in an aggregate amount not to exceed $200,000,000 at any time, (m) Investments to the extent made or funded with the proceeds from a substantially contemporaneous sale of equity of Borrower or its direct or indirect parents; (n) Investments received or acquired in connection with a restructuring, reorganization, bankruptcy or workout of an existing Investment; (o) illiquid Investments received or acquired in connection with a liquidation of a Fund; (p) Investments made in order to pay salary of employees and other personnel and other ongoing operating expenses; and (q) contributions of consideration by a Loan Party or Subsidiary in connection with a New Acquisition of the type specified in the proviso in the definition thereof provided that cash consideration shall not exceed $275,000,000 for each such New Acquisition.

" Permitted Liens " means: (a) Liens for taxes, assessments, or governmental charges or claims the payment of which is not, at such time, required by Section 5.4 hereof, (b) any attachment or judgment Lien either in existence less than 30 calendar days after the entry thereof, or with respect to which execution has been stayed, or with respect to which payment in full above any applicable deductible is covered by insurance (so long as no reservation of rights has been made by the insurer in connection with such coverage), and Liens incurred to secure any surety bonds, appeal bonds, supersedeas bonds, or other instruments serving a similar purpose in connection with the appeal of any such judgment, (c) banker's Liens in the nature of rights of setoff arising in the ordinary course of business of a Loan Party, (d) Liens, if any, granted by the Loan Parties to Agent in order to secure their respective obligations under this Agreement and the other Loan Documents to which they are a party, (e) Liens and deposits in connection with workers' compensation, unemployment insurance, social security and other legislation affecting any Loan Party and its Subsidiaries, (f) Liens arising by operation of law in favor of carriers, warehousemen, landlords, mechanics, materialmen, laborers or employees for sums that are not yet delinquent or are being contested in good faith, (g) Liens described in the Disclosure Statement with respect to Section 4.8 hereof, if any, but not the extension of coverage thereof to other property or assets, (h) easements, rights of way, zoning restrictions and similar encumbrances on real property and minor irregularities in the title thereto that do not (i) secure obligations for the payment of money or (ii) materially impair the value of such property or its use by any Loan Party or any of its Subsidiaries in the normal conduct of such Person's business, any interest or title of a lessor under any lease entered into by a Loan Party or any Subsidiary in the ordinary course of its business and covering only the assets so leased, (i) leases or subleases, licenses or sublicenses granted to other Persons not materially interfering with the conduct of the business of the Borrower or any of its Subsidiaries, (j) Liens in connection with the financing of insurance premiums in the ordinary course of business which attach solely to the proceeds thereof or any premium refund, (k) Liens in favor of any escrow agent solely on and in respect of any cash earnest money deposits made by any Loan Party or any Subsidiary in connection with any letter of intent or purchase agreement (to the extent that the acquisition or disposition with respect thereto is otherwise permitted hereunder), provided that (i) the Distribution by Borrower of cash in an amount equal to such cash earnest money deposit would not be prohibited by Section 6.5 and (ii) such acquisition would not otherwise result in an Event of Default or an Unmatured Event of Default, (l) Liens encumbering customary deposits and margin deposits, and similar Liens and margin deposits, and similar Liens attaching to commodity trading accounts and other deposit or brokerage accounts incurred in the ordinary course of business, provided that (i) the Distribution by Borrower of cash in an amount equal to such deposit would not be prohibited by Section 6.5 and (ii) no Event of Default or an Unmatured Event of Default has occurred and is continuing at the time of such incurrence, (m) Liens deemed to exist as a matter of law in connection with permitted repurchase obligations or set-off rights, (n) Liens in favor of collecting banks arising under Section 4-210 of the UCC, (o) purported Liens evidenced by the filing of precautionary UCC financing statements relating solely to operating leases of personal property entered into the ordinary course of business, (p) other Liens granted by any Loan Party or any Subsidiary in the ordinary course of its business with respect to obligations (including Purchase Money Debt) that do not exceed $150,000,000 in the aggregate, (q) precautionary Liens and filings of financing statements under the UCC, covering assets sold or contributed to any Person not prohibited hereunder, (r) Liens on Investments of Designated Subsidiaries securing Debt incurred in accordance with Sections 6.1(n) and 6.1(p) for the purpose of financing such Investments to the extent such Lien does not cover assets owned by any Loan Party or other Restricted Subsidiary, and (s) Liens granted by any Loan Party in favor of any other Loan Party, or Liens granted by any other Subsidiary in favor of any Loan Party.

" Permitted Tax Distribution " means in respect of any fiscal year during which any Loan Party or Restricted Subsidiary qualifies as a partnership for U.S. federal and state income tax purposes, a Distribution to owners of its Securities with respect to such fiscal year in an aggregate cash amount not to exceed the product of (a) the amount of taxable income allocated by such Loan Party or Restricted Subsidiary to such owners for such fiscal year, as reduced by any available carryforwards of net operating losses, capital losses, and similar items, calculated by assuming that each such owner elects to carry forward such items and that such owner's only income, gain, deductions, losses and similar items are those allocated to such owner by such Loan Party or Restricted Subsidiary and taking into account such limitations as the limitation on the deductibility of capital, multiplied by (b) the highest effective combined federal, state and local income tax rate applicable during such fiscal year to a natural person residing in the applicable jurisdiction taxable at the highest marginal federal income tax rate and the highest marginal income tax rates (after giving effect to the federal income tax deduction for such state and local income taxes and without taking into account the effects of Sections 67 and 68 of the Code).

" Person " means and includes natural persons, corporations, partnerships, limited liability companies, joint ventures, associations, companies, business trusts, or other organizations, irrespective of whether they are legal entities.

" Principal Financial Center " means, in the case of any Currency, the principal financial center where such Currency is cleared and settled, as determined by the Agent.

" Prime Rate " has the meaning set forth in the definition of "Base Rate" hereto.

" Pro Rata Share " means, as of any date of determination:

with respect to a Lender's obligation to make Advances and receive payments of principal, interest, fees, costs, and expenses with respect thereto, (i) prior to the Revolver Commitments being terminated or reduced to zero, the percentage obtained by dividing (y) such Lender's Revolver Commitment, by (z) the aggregate Revolver Commitments of all Lenders, and (ii) from and after the time that the Revolver Commitments have been terminated or reduced to zero, the percentage obtained by dividing (y) the aggregate outstanding principal amount of such Lender's Advances by (z) the aggregate outstanding principal amount of all Advances,

with respect to a Lender's obligation to participate in Letters of Credit, to reimburse the respective Issuing Lender, and to receive payments of fees with respect thereto, (i) prior to the Revolver Commitments being terminated or reduced to zero, the percentage obtained by dividing (y) such Lender's Revolver Commitment, by (z) the aggregate Revolver Commitments of all Lenders, and (ii) from and after the time that the Revolver Commitments have been terminated or reduced to zero, the percentage obtained by dividing (y) the aggregate outstanding principal amount of such Lender's Advances by (z) the aggregate outstanding principal amount of all Advances, and

with respect to all other matters as to a particular Lender (including the indemnification obligations arising under Section 10.6), (i) prior to the Revolver Commitments being terminated or reduced to zero, the percentage obtained by dividing (y) such Lender's Revolver Commitment, by (z) the aggregate amount of Revolver Commitments of all Lenders, and (ii) from and after the time that the Revolver Commitments have been terminated or reduced to zero, the percentage obtained by dividing (y) the outstanding principal amount of such Lender's Advances, by (z) the outstanding principal amount of all Advances; provided , however , that if all of the Advances have been repaid in full and Letters of Credit remain outstanding, Pro Rata Share under this clause shall be determined based upon subclause (i) of this clause (c) as if the Revolver Commitments had not been terminated or reduced to zero and based upon the Revolver Commitments as they existed immediately prior to their termination or reduction to zero.

" PTP " means Ares Management L.P. or its successors and assigns including, without limitation, as a result of a restructuring or conversion not prohibited by this Agreement.

" Purchase Money Debt " means Debt (other than the Obligations, but including Capitalized Lease Obligations), incurred at the time of, or within 20 days after, the acquisition of any fixed assets for the purpose of financing all or any part of the acquisition cost thereof (and secured by a Permitted Lien under clause (p) of the definition thereof).

" Quotation Day " means, with respect to any LIBOR Rate Loan for any Interest Period, (i) if the currency is an Alternative Currency (other than euros, Japanese Yen, or any Local Rate Currency), the first day of such Interest Period, and (ii) for any other currency, two Business Days prior to the commencement of such Interest Period (unless, in each case under this clause (ii), market practice differs in the relevant market where the LIBOR Rate for such currency is to be determined, in which case the Quotation Day will be determined by the Agent in accordance with market practice in such market (and if quotations would normally be given on more than one day, then the Quotation Day will be the last of those days)).

" Reference Banks " means any banks as may be appointed by the Agent in consultation with the Borrower.

" Reference Bank Rate " means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request by the Reference Banks (as the case may be):

(a) in relation to the Local Bank Reference Rate, as the rate at which the relevant Reference Bank is willing to extend credit by the purchase of bankers acceptances which have been accepted by banks which are for the time being customarily regarded as being of appropriate credit standing for such purpose with a term to maturity equal to the relevant period; and

(b) in relation to LIBOR (other than the Local Bank Reference Rate), as the rate at which the relevant Reference Bank could borrow funds in the London interbank market in the relevant currency and for the relevant period, were it to do so by asking for and then accepting interbank offers in reasonable market size in that currency and for that period.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents, partners, trustees, administrators and advisors of such Person and such Person's Affiliates.

"Replacement Lender" has the meaning set forth in Section 11.2.

"Request for Borrowing" means an irrevocable written notice from any of the individuals identified on Exhibit R-1 attached hereto (or, in certain cases, two of such individuals, all as set forth in further detail in Exhibit R-1 attached hereto) to Agent of Administrative Entity's request for an Advance or for the issuance of a Letter of Credit, which notice shall be substantially in the form of Exhibit R-2 attached hereto.

"Request for Conversion/Continuation" means an irrevocable written notice from any of the individuals identified on Exhibit R-1 attached hereto (or, in certain cases, two of such individuals, all as set forth in further detail in Exhibit R-1 attached hereto) to Agent pursuant to the terms of Section 2.7, substantially in the form of Exhibit R-3 attached hereto.

"Required Lenders" means, at any time, Lenders whose aggregate Pro Rata Shares (calculated under clause (c) of the definition of Pro Rata Share) exceed 50%.

"Responsible Officer" means the president, chief executive officer, chief operating officer, chief financial officer, secretary, general counsel, vice president, manager, or controller of a Person, or such other officer of such Person designated by a Responsible Officer in a writing delivered to Agent, in each case, to the extent that any such officer is authorized to bind Borrower or the applicable Guarantor (as applicable).

"Restatement Effective Date" means the date on which the conditions specified in Section 3.1 are satisfied (or waived in accordance with Section 11.2).

"Restricted Subsidiary" means each Subsidiary of a Loan Party other than a Designated Subsidiary. A "Restricted Subsidiary of a Person" (or other provision herein having the same meaning) refers to a Restricted Subsidiary that is also a Subsidiary of such Person. Each Guarantor shall at all times constitute a Restricted Subsidiary.

"Revolver Commitment" means, with respect to each Lender, its commitment to make Advances, and to acquire participations in Letters of Credit denominated in Dollars and in Alternative Currencies hereunder, and, with respect to all Lenders, their commitments in respect of the Revolving Credit Facility, in each case in the maximum aggregate amount as set forth beside such Lender's name under the applicable heading on Schedule C-1, beside such Lender's name under the applicable heading in the applicable Increase Joinder, or in the Assignment and Acceptance pursuant to which such Lender became a Lender hereunder, as such amounts may be (a) reduced or increased from time to time pursuant to assignments made in accordance with the provisions of Section 9.1, and (b) increased from time to time pursuant to Section 2.18.

" Revolver Post-Increase Lenders " has the meaning set forth in Section 2.18(d) .

" Revolver Pre-Increase Lenders " has the meaning set forth in Section 2.18(d) .

" Revolving Credit Facility " means the revolving credit facility described in Section 2.1(a) .

" Revolving Credit Facility Usage " means, at the time any determination thereof is to be made, the aggregate Dollar amount of the outstanding Advances at such time.

" Risk Participation Liability " means, as to each Letter of Credit, all reimbursement obligations of Borrower to the respective Issuing Lender with respect to such Letter of Credit, consisting of (a) the amount available to be drawn or which may become available to be drawn, (b) all amounts that have been paid by such Issuing Lender with respect thereto to the extent not reimbursed by Borrower, whether by the making of an Advance or otherwise, and (c) all accrued and unpaid interest, fees, and expenses payable with respect thereto.

" S&P " has the meaning set forth in the definition of "Cash Equivalents" hereto.

" Sanctions " means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (b) the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom.

" Sanctioned Country " means, at any time, a country, region or territory which is the subject or target of any Sanctions.

" Sanctioned Person " means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, or by the United Nations Security Council, the European Union or any EU member state, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person.

" Screen Rate " means the LIBOR Screen Rate and the Local Screen Rate collectively and individually as the context may require.

" SEC " means the Securities and Exchange Commission of the United States or any successor thereto.

" Securities " means the capital stock, membership interests, partnership interests (whether limited or general) or other securities or equity interests of any kind of a Person, all warrants, options, convertible securities, and other interests which may be exercised in respect of, converted into or otherwise relate to such Person's capital stock, membership interests, partnership interests (whether limited or general) or other equity interests and any other securities, including debt securities of such Person.

" Securities Act " shall mean the Securities Act of 1933, as amended.

" Significant Restricted Subsidiary " means, at any time of determination, any (a) Loan Party or (b) any other Restricted Subsidiary that, together with its Subsidiaries, has aggregate Management Fees greater than 10% of the aggregate Management Fees of the Loan Parties and the Restricted Subsidiaries, taken as a whole, at such time.

" Stand Alone Basis " means, for any Person, with respect to any financial calculation or information that is specified herein to be calculated or reported on a "Stand Alone Basis", such calculation or information for such Person and its Subsidiaries on a stand-alone basis which deconstructs funds required to be consolidated under GAAP and, when used in respect of the Borrower (but not PTP), that such calculation or information is to be determined on a combined basis with respect to each Loan Party and its Subsidiaries.

" Subsidiary " means, with respect to any Person (a) any corporation in which such Person, directly or indirectly through its Subsidiaries, owns more than 50% of the stock of any class or classes having by the terms thereof the ordinary voting power to elect a majority of the directors of such corporation, and (b) any partnership, association, joint venture, limited liability company, or other entity in which such Person, directly or indirectly through its Subsidiaries, has more than a 50% equity interest at the time; provided , however , that for the purposes of this Agreement, (x) no Fund or Subsidiary of a Fund shall be deemed to be a Subsidiary of a Loan Party and (y) none of Ares Investor Services LLC nor any of its Subsidiaries shall be deemed to be a Subsidiary of a Loan Party.

" TARGET Day " means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system is open for settlement of payments in euro.

" Taxes " means all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

" Total Commitment " means, with respect to each Lender, its Revolver Commitment and, with respect to all Lenders, the sum of their Revolver Commitments, in each case in the maximum aggregate amounts as are set forth beside such Lender's name under the applicable heading on Schedule C-1 attached hereto, beside such Lender's name under the applicable heading in the applicable Increase Joinder, or on the signature page of the Assignment and Acceptance pursuant to which such Lender became a Lender under this Agreement, as such amounts may be (1) reduced or increased from time to time pursuant to assignments made in accordance with the provisions of Section 9.1 , and (2) increased from time to time pursuant to Section 2.18 .

" Triggering Event " means, with respect to any Fund, either (a) an event or occurrence that results in such Fund not having sufficient funds to pay the Management Fees that were otherwise required to be paid by such Fund when such Management Fees were otherwise due and payable, or (b) an agreement by a Loan Party with one or more of the partners of such Fund to defer the payment by such Fund of Management Fees or to amend or otherwise modify any agreement evidencing any obligation of such Fund to pay Management Fees; provided , however , that any deferral of the payment of Management Fees in connection with any New Acquisition or that is set forth in the agreements that are executed in connection with the closing or refinancing of any Fund, shall not constitute a Triggering Event.

" UCC " means the New York Uniform Commercial Code as in effect from time to time.

" United States " means the United States of America.

" Unmatured Event of Default " means an event, act, or occurrence which, with the giving of notice or the passage of time, would become an Event of Default.

" Unrestricted Subsidiary " means, unless otherwise designated by the Administrative Entity, (a) any Subsidiary of an Unrestricted Subsidiary, and (b) any other Subsidiary of a Loan Party designated by the Administrative Entity as an Unrestricted Subsidiary pursuant to Section 5.10 .

" USA Patriot Act " has the meaning set forth in Section 11.13 .

" Write-Down and Conversion Powers " means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Construction

. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular and to the singular include the plural, the part includes the whole, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." References in this Agreement to a "determination" or "designation" include estimates by Agent (in the case of quantitative determinations or designations), and beliefs by Agent (in the case of qualitative determinations or designations). The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Article, section, subsection, clause, exhibit, and schedule references are to this Agreement unless otherwise specified. Any reference herein to this Agreement or any of the Loan Documents includes any and all alterations, amendments, restatements, changes, extensions, modifications, renewals, or supplements thereto or thereof, as applicable. Any reference herein to any Person shall be construed to include such Person's successors and assigns including, without limitation, as a result of a restructuring or conversion not prohibited by this Agreement. Any reference herein or in any other Loan Document to the satisfaction or repayment in full of the Obligations, any reference herein or in any other Loan Document to the Obligations being "paid in full" or "repaid in full", and any reference herein or in any other Loan Document to the action by any Person to repay the Obligations in full, shall mean the repayment in full in cash in Dollars or applicable Alternative Currency (or cash collateralization or receipt of a backup letter of credit in accordance with the terms hereof) of all Obligations other than contingent indemnification Obligations. Any reference to an officer of PTP, whether in PTP's own capacity or in its capacity as the Administrative Entity, shall also be a reference to the officer of the general partner of PTP (if applicable).

Accounting Terms; GAAP

. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the Restatement Effective Date in GAAP or in the application thereof on the operation of such provision (or if the Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. The Borrower covenants and agrees with the Lenders that whether or not the Borrower may, after the Amendment No. 7 Effective Date, adopt the Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (or successor standard solely as it relates to the accounting of lease assets and liabilities) (" ASU 2016-02 ") with respect to the definition of Capitalized Lease Obligations, all determinations of compliance with the terms and conditions of this Agreement shall be made on the basis that the Borrower has not adopted ASU 2016-02.

AMOUNT AND TERMS OF LOANS

Credit Facilities

.

Revolver Credit Facility .

Subject to the terms and conditions of this Agreement, and during the term of this Agreement:

each Lender agrees (severally, not jointly or jointly and severally) to make revolving loans (" Advances ") to Borrower in Dollars or any Alternative Currency in an aggregate amount at any one time outstanding not to exceed such Lender's Pro Rata Share of the Maximum Revolver Amount *less* such Lender's Pro Rata Share of the aggregate Letter of Credit Usage at such time; provided that at no time shall the sum of such Lender's aggregate Advances and such Lender's Pro Rata Share of the aggregate Letter of Credit Usage exceed such Lender's Revolver Commitment, and

amounts borrowed pursuant to this Section 2.1 may be repaid at any time during the term of this Agreement and, subject to the terms and conditions of this Agreement, reborrowed prior to the Maturity Date. The outstanding principal amount of the Advances, together with interest accrued thereon, shall be due and payable on the Maturity Date or, if earlier, on the date on which they are declared due and payable pursuant to the terms of this Agreement.

No Lender shall have an obligation to make any Advance under the Revolving Credit Facility on or after the Maturity Date.

Conversion and Assumption of Existing Obligations . Subject to satisfaction of the conditions precedent specified in Article III and effective as of the Restatement Effective Date:

Ares, AIH and each Lender holding any outstanding Obligations (as defined in the Existing Credit Agreement) hereby agree that the Revolver Commitments (as defined in the Existing Credit Agreement) of each such Lender will be converted into Revolver Commitments in the amount set forth opposite the name of such Lender listed in Schedule C-1 attached hereto;

the outstanding Advances (as defined in the Existing Credit Agreement) of the Lenders shall be automatically converted to Advances from the Lenders, in an aggregate amount equal to the principal amount of Advances so converted. The remaining outstanding Advances shall be made from the Lenders pro rata according to the amount of their respective Revolver Commitments; provided that, the Lenders shall make and receive payments among themselves, as set forth in a written notice prepared by the Agent, so that, after giving effect thereto, Advances are held ratably by the Lenders in accordance with their respective Revolver Commitments; and

each of the Existing Letters of Credit shall automatically, and without any action on the part of any Person, become Letters of Credit hereunder.

Rate Designation

. Borrower shall designate each Loan as a Base Rate Loan or a LIBOR Rate Loan in the Request for Borrowing or Request for Conversion/Continuation given to Agent in accordance with Section 2.6 or Section 2.7 , as applicable. Each Base Rate Loan shall be denominated in Dollars. Each Base Rate Loan shall be in a minimum principal amount of $500,000 and, thereafter, in integral multiples of $100,000, unless such Advance is being made to pay any interest, fees, or expenses then due hereunder, in which case such Advance may be in the amount of such interest, fees, or expenses, and each LIBOR Rate Loan shall be in a minimum principal amount of $500,000 and, thereafter, in integral multiples of $100,000.

Interest Rates; Payment of Principal and Interest

.

Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of L/C Disbursements, or under Section 2.13 , 2.14 or 2.23 , or otherwise) or under any other Loan Document (except to the extent otherwise provided therein) prior to 1:00 p.m., New York time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Agent at the Agent's Account, except as otherwise expressly provided in the relevant Loan Document and except payments to be made directly to an Issuing Lender as expressly provided herein and payments pursuant to Sections 2.13 , 2.14 , 2.23 and 8.2 , which shall be made directly to the Persons entitled thereto. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension.

All amounts owing under this Agreement (excluding payments of principal of, and interest on, any Advance or payments relating to any Letters of Credit denominated in any Alternative Currency, which are payable in such Alternative Currency) or under any other Loan Document (except to the extent otherwise provided therein) are payable in Dollars. Notwithstanding the foregoing, if Borrower shall fail to pay any principal of any Advance when due (whether at stated maturity, by acceleration, by mandatory prepayment or otherwise) or shall fail to pay any reimbursement obligation in respect of any Letter of Credit when due, the unpaid portion of such Advance or reimbursement obligation shall, if such Advance or reimbursement obligation is not denominated in Dollars, automatically be redenominated in Dollars on the due date thereof (or, if such due date in respect of any such Advance is a day other than the last day of the Interest Period therefor, on the last day of such Interest Period) in an amount equal to the Dollar Equivalent thereof on the date of such redenomination and such principal or reimbursement obligation shall be payable on demand; and if Borrower shall fail to pay any interest on any Advance or on any reimbursement obligation in respect of any Letter of Credit, or any other amount (other than any principal or reimbursement obligation), that is not denominated in Dollars, such interest or other amount shall automatically be redenominated in Dollars on the due date therefor (or, if such due date in respect of any such Advance is a day other than the last day of the Interest Period therefor, on the last day of such Interest Period) in an amount equal to the Dollar Equivalent thereof on the date of such redenomination and such interest or other amount shall be payable on demand.

Unless the Agent shall have received notice from Borrower prior to the date on which any payment is due to the Agent for account of the Lenders or the respective Issuing Lender hereunder that the Borrower will not make such payment, the Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or such Issuing Lender, as the case may be, the amount due. In such event, if Borrower has not in fact made such payment, then each of the Lenders or such Issuing Lender, as the case may be, severally agrees to repay to the Agent forthwith on demand the amount so distributed to such Lender or such Issuing Lender with interest thereon at the Defaulting Lender Rate, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Agent.

Except as otherwise provided with respect to Defaulting Lenders and except as otherwise provided in the Loan Documents (including agreements between Agent and individual Lenders), aggregate principal and interest payments shall be apportioned ratably among the Lenders (according to the unpaid principal balance of the Obligations to which such payments relate held by each Lender) and applied thereto and payments of fees and expenses (other than fees or expenses that are for Agent's separate account, after giving effect to any agreements between Agent and individual Lenders) shall be apportioned ratably among the Lenders in accordance with their respective Pro Rata Shares.

Subject to Section 2.3(d)(iii) below, all payments shall be remitted to Agent and all such payments shall be applied as follows:

first , to pay any fees and Lender Group Expenses then due to Agent under the Loan Documents, until paid in full, second , to pay any fees and Lender Group Expenses then due to the Lenders under the Loan Documents, on a ratable basis, until paid in full,

third , ratably to pay interest due in respect of the Loans until paid in full,

fourth , so long as no Application Event has occurred and is continuing, to pay the principal of all Advances until paid in full,

fifth , if an Application Event has occurred and is continuing, ratably (i) to pay the principal of all Advances until paid in full, and (ii) to Agent, to be held by Agent, for the ratable benefit of the respective Issuing Lender and those Lenders having a Revolver Commitment, as cash collateral in an amount up to 102% of the Letter of Credit Usage until paid in full,

sixth , if an Application Event has occurred and is continuing, to pay any other Obligations until paid in full, and

seventh , to Borrower (to be wired to the Ares Holdings Designated Account or Ares Investments Designated Account, as directed by the Administrative Entity) or such other Person entitled thereto under applicable law.

Agent promptly shall distribute to each Lender, pursuant to the applicable wire instructions received from each Lender in writing, such funds as it may be entitled to receive.

In each instance, so long as no Application Event has occurred and is continuing, Section 2.3(d)(i) shall not apply to any payment made by Borrower to Agent and specified by Borrower to be for the payment of specific Obligations then due and payable (or prepayable) under any provision of this Agreement.

For purposes of the foregoing, "paid in full" means payment of all amounts owing under the Loan Documents according to the terms thereof, including loan fees, service fees, professional fees, interest (and specifically including interest accrued after the commencement of any Insolvency Proceeding), default interest, interest on interest, and expense reimbursements, whether or not any of the foregoing would be or is allowed or disallowed in whole or in part in any Insolvency Proceeding, other than any contingent and unasserted indemnification or similar Obligations.

In the event of a direct conflict between the priority provisions of this Section 2.3 and other provisions contained in any other Loan Document, it is the intention of the parties hereto that such priority provisions in such documents shall be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, the terms and provisions of this Section 2.3 shall control and govern.

Subject to Section 2.4 , each Base Rate Loan shall bear interest upon the unpaid principal balance thereof, from and including the date advanced or converted, to but excluding the date of conversion or repayment thereof, at a fluctuating rate, per annum, equal to the Base Rate plus the Applicable Margin. Any change in the interest rate resulting from a change in the Base Rate will become effective on the day on which each change in the Base Rate is announced by Agent. Interest due with respect to Base Rate Loans shall be due and payable, in arrears, commencing on the first Interest Payment Date following the Restatement Effective Date, and continuing on each Interest Payment Date thereafter up to and including the Interest Payment Date immediately preceding the Maturity Date, and on the Maturity Date.

Subject to Section 2.4 , each LIBOR Rate Loan shall bear interest upon the unpaid principal balance thereof, from the date advanced, converted, or continued, at a rate, per annum, equal to the LIBOR Rate plus the Applicable Margin. Interest due with respect to each LIBOR Rate Loan shall be due and payable, in arrears, on each Interest Payment Date applicable to that LIBOR Rate Loan and on the Maturity Date. Anything to the contrary contained in this Agreement notwithstanding, Borrower may not have more than 10 LIBOR Rate Loans outstanding at any one time.

Borrower shall pay Agent (for the ratable benefit of the Lenders with a Revolver Commitment), a Letter of Credit fee (in addition to the charges, commissions, fees, and costs set forth in Section 2.10(f)) which shall accrue at a rate equal to the Applicable Margin *times* the Daily Balance of the undrawn amount of all outstanding Letters of Credit (the " Letter of Credit Fee "). The Letter of Credit Fee shall be due and payable quarterly in arrears on the first day of each quarter.

Unless prepaid in accordance with the terms hereof, the outstanding principal balance of all Advances, together with accrued and unpaid interest thereon, shall be due and payable, in full, on the Maturity Date.

Any Lender by written notice to Borrower (with a copy to Agent) may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall execute and deliver to such Lender a promissory note, substantially in the form of Exhibit A-2 , payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns). Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns). For the avoidance of doubt, assignments of any Loans by Lenders (irrespective of whether promissory notes are issued hereunder) shall be in accordance with the provisions of Section 9 of this Agreement. In no event shall the delivery of a promissory note pursuant to this Section 2.3(i) constitute a condition precedent to any extension of credit hereunder.

Default Rate

. (i) If any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration, by mandatory prepayment or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (A) in the case of overdue principal of any Loan, the rate otherwise applicable to such Loan as provided above plus 2.0 percentage points or (B) in the case of any other amount, 2.0 percentage points plus the rate applicable to Base Rate Loans as provided above and (ii) upon the occurrence and during the continuance of an Event of Default, (A) all Loans then outstanding shall bear interest at a rate equal to the rate otherwise applicable to such Loan plus 2.0 percentage points, and (B) the Letter of Credit Fee shall be increased to 2.0 percentage points above the per annum rate otherwise applicable thereunder. All amounts payable under this Section 2.4 shall be due and payable on demand by Agent.

Computation of Interest and Fees Maximum Interest Rate; Letter of Credit Fee

.

All computations of interest with respect to the Loans and computations of the fees (including the Letter of Credit Fee) due hereunder for any period shall be calculated on the basis of a year of 360 days for the actual number of days elapsed in such period (except in the case of Loans denominated in British Pounds Sterling or Base Rate Loans, which shall be 365/366 days). Interest shall accrue from the first day of the making of a Loan (or the date on which interest or fees or other payments are due hereunder, if applicable) to (but not including) the date of repayment of such Loan (or the date of the payment of interest or fees or other payments, if applicable) in accordance with the provisions hereof.

Request for Borrowing

.

Each Base Rate Loan shall be made on a Business Day and each LIBOR Rate Loan shall be made on a Eurodollar Business Day.

Each Loan or Letter of Credit that is proposed to be made after the Restatement Effective Date shall be made upon written notice, by way of a Request for Borrowing, which Request for Borrowing shall be irrevocable and shall be given by facsimile, mail, electronic mail (in a format bearing a copy of the signature(s) required thereon), or personal service, and delivered to Agent and Issuing Bank as provided in Section 11.3 .

for a Base Rate Loan, Borrower shall give Agent notice at least one (1) Business Day prior to the date that is the requested Funding Date, and such notice shall specify that a Base Rate Loan is requested and state the amount thereof (subject to the provisions of this Article II).

for a LIBOR Rate Loan, Borrower shall give Agent notice at least three (3) Eurodollar Business Days before the date the LIBOR Rate Loan is to be made, and such notice shall specify that a LIBOR Rate Loan is requested and state the amount and Interest Period thereof (subject to the provisions of this Article II); provided , however , that no Loan shall be available as a LIBOR Rate Loan when any Unmatured Event of Default or Event of Default has occurred and is continuing. At any time that an Event of Default has occurred and is continuing, Agent may convert, and shall convert if so requested by the Required Lenders, the interest rate on all outstanding LIBOR Rate Loans to the rate then applicable to Base Rate Loans hereunder. If Borrower fails to designate a Loan as a LIBOR Rate Loan in accordance herewith, the Loan will be a Base Rate Loan. In connection with each LIBOR Rate Loan, Borrower shall indemnify, defend, and hold Agent and the Lenders harmless against any loss, cost, or expense incurred by Agent or any Lender as a result of (A) the payment of any principal of any LIBOR Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (B) the conversion of any LIBOR Rate Loan other than on the last day of the Interest Period applicable thereto, or (C) the failure to borrow, convert, continue or prepay any LIBOR Rate Loan on the date specified in any Request for Borrowing or Request for Conversion/Continuation delivered pursuant hereto (such losses, costs, and expenses, collectively, " Funding Losses "). Funding Losses shall, with respect to Agent or any Lender, be deemed to equal the amount determined by Agent or such Lender to be the excess, if any, of (I) the amount of interest that would have accrued on the principal amount of such LIBOR Rate Loan had such event not occurred, at the LIBOR Rate that would have been applicable thereto, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert, or continue, for the period that would have been the Interest Period therefor), *minus* (II) the amount of interest that would accrue on such principal amount for such period at the interest rate which Agent or such Lender would be offered were it to be offered, at the commencement of such period, Dollar deposits of a comparable amount and period in the London interbank market. A certificate of Agent or a Lender delivered to Borrower setting forth any amount or amounts that Agent or such Lender is entitled to receive pursuant to this Section 2.6(b)(ii) shall be conclusive absent manifest error.

If the notice provided for in clause (b) of this Section 2.6 (i) with respect to a Base Rate Loan or a LIBOR Rate Loan denominated in Dollars is received by Agent not later than 1:00 p.m. New York time or (ii) with respect to a LIBOR Rate Loan denominated in an Alternative Currency is received by Agent not later than 10:00 a.m. London time, on a Business Day or Eurodollar Business Day, as applicable, such day shall be treated as the first Business Day or Eurodollar Business Day, as applicable, of the required notice period. In any other event, such notice will be treated as having been received immediately before 1:00 p.m. New York time (or 10:00 a.m. London time), of the next Business Day or Eurodollar Business Day, as applicable, and such day shall be treated as the first Business Day or Eurodollar Business Day, as applicable, of the required notice period.

Each Request for Borrowing shall specify, among other information, (i) whether the applicable Loan or Letter of Credit will be used for the Loan Parties' general working capital purposes or to fund an Investment in a Fund (and if the latter, the identity of the Fund(s) that the proceeds of such Loan will be used by Borrower to invest in and the amount of each such Investment, if applicable), (ii) after giving effect to such Loan or Letter of Credit, the outstanding amount of Loans and Letters of Credit that have been used to finance an Investment in each Fund (by such Fund), and the outstanding amount of all Loans and Letters of Credit that have been used for the Loan Parties' general working capital purposes, (iii) with respect to any Fund as to which the proceeds of Loans are to be used to fund investments, the fair market value of the investments of the Loan Parties in such Fund, (iv) with respect to any Margin Securities held by any Loan Party, a description of such Margin Securities as well as the fair market value thereof as of the date of such Request for Borrowing and (v) the amount of the proceeds of such Loan that will be made available to each of Ares Holdings, Ares Investments, or another entity comprising Borrower.

Promptly after receipt of a Request for Borrowing pursuant to Section 2.6(b) , Agent shall notify the Lenders not later than 2:00 p.m. Local Time, on the Business Day immediately preceding the Funding Date applicable thereto (in the case of a Base Rate Loan), or the third Eurodollar Business Day preceding the Funding Date (in the case of a LIBOR Rate Loan), by telecopy, electronic mail (in a format bearing a copy of the signature(s) required thereon), telephone, or other similar form of transmission, of the requested Loan. Each Lender shall make the amount of such Lender's Pro Rata Share of the requested Loan available to Agent in immediately available funds, to Agent's Account, not later than 1:00 p.m. Local Time on the Funding Date applicable thereto. After Agent's receipt of the proceeds of such Loans, Agent shall make the proceeds thereof available to Borrower on the applicable Funding Date by (x) transferring to the Ares Holdings Designated Account immediately available funds equal to the proceeds that are requested by Borrower to be sent to Ares Holdings or another entity comprising Borrower (other than Ares Investments) in the applicable Request for Borrowing, and (y) transferring to the Ares Investments Designated Account immediately available funds equal to the proceeds that are requested by Borrower to be sent to Ares Investments in the applicable Request for Borrowing; provided, however, that Agent shall not request any Lender to make, and no Lender shall have the obligation to make, any Loan if Agent shall have actual knowledge that (1) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Loan unless such condition has been waived, or (2) the requested Loan would exceed the Availability on such Funding Date.

Unless Agent receives notice from a Lender on or prior to the Restatement Effective Date or, with respect to any Loan after the Restatement Effective Date, prior to 10:00 a.m. (New York time) on the date of such Loan, that such Lender will not make available as and when required hereunder to Agent for the account of Borrower the amount of that Lender's Pro Rata Share of the Loan, Agent may assume that each Lender has made or will make such amount available to Agent in immediately available funds on the Funding Date and Agent may (but shall not be so required), in reliance upon such assumption, make available to Borrower on such date a corresponding amount. If and to the extent any Lender shall not have made its full amount available to Agent in immediately available funds and Agent in such circumstances has made available to Borrower such amount, that Lender shall on the Business Day following such Funding Date make such amount available to Agent, together with interest at the Defaulting Lender Rate for each day during such period. A notice submitted by Agent to any Lender with respect to amounts owing under this subsection shall be conclusive, absent manifest error. If such amount is so made available, such payment to Agent shall constitute such Lender's Loan on the date of such Loan for all purposes of this Agreement. If such amount is not made available to Agent on the Business Day following the Funding Date, Agent will notify Borrower of such failure to fund and, upon demand by Agent, Borrower shall pay such amount to Agent for Agent's account, together with interest thereon for each day elapsed since the date of such Loan, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Loan, without in any way prejudicing the rights and remedies of Borrower against the Defaulting Lender. The failure of any Lender to make any Loan on any Funding Date shall not relieve any other Lender of any obligation hereunder to make a Loan on such Funding Date, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on any Funding Date.

If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.10(d) , 2.6(f) or 8.2 , then the Agent may, in its discretion and notwithstanding any contrary provision hereof, (i) apply any amounts thereafter received by the Agent for the account of such Lender for the benefit of the Agent or the respective Issuing Lender to satisfy such Lender's obligations to it under such Section until all such unsatisfied obligations are fully paid, and/or (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Lender under any such Section, in the case of each of clauses (i) and (ii) above, in any order as determined by the Agent in its discretion.

All Advances shall be made by the Lenders contemporaneously and in accordance with their Pro Rata Shares. It is understood that (i) no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Advance (or other extension of credit) hereunder, nor shall any Revolver Commitment of any Lender be increased or decreased as a result of any failure by any other Lender to perform its obligations hereunder, and (ii) no failure by any Lender to perform its obligations hereunder shall excuse any other Lender from its obligations hereunder.

Conversion or Continuation

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Subject to the provisions of clause (d) of this Section 2.7 and the provisions of Section 2.14 , Borrower shall have the option to (i) convert all or any portion of the outstanding Base Rate Loans equal to $500,000, and integral multiples of $100,000 in excess of such amount, to a LIBOR Rate Loan, (ii) convert all or any portion of the outstanding LIBOR Rate Loans denominated in Dollars equal to $500,000 and integral multiples of $100,000 in excess of such amount, to a Base Rate Loan, and (iii) upon the expiration of any Interest Period applicable to any of its LIBOR Rate Loans, continue all or any portion of such LIBOR Rate Loan equal to $500,000, and integral multiples of $100,000 in excess of such amount, as a LIBOR Rate Loan denominated in the same Currency, and the succeeding Interest Period of such continued Loan shall commence on the expiration date of the Interest Period previously applicable thereto; provided , however , that a LIBOR Rate Loan only may be converted or continued, as the case may be, on the expiration date of the Interest Period applicable thereto; provided further , however , that no outstanding Loan may be continued as, or be converted into, a LIBOR Rate Loan when any Unmatured Event of Default or Event of Default has occurred and is continuing; provided further , however , that if, before the expiration of an Interest Period of a LIBOR Rate Loan, Borrower fails timely to deliver the appropriate Request for Conversion/Continuation, such LIBOR Rate Loan, in the case of a LIBOR Rate Loan denominated in Dollars, automatically shall be converted to a Base Rate Loan and, in the case of a LIBOR Rate Loan denominated in an Alternative Currency, automatically shall be continued as a LIBOR Rate Loan having an Interest Period of one month.

Borrower shall by facsimile, mail, electronic mail (in a format bearing a copy of the signature(s) required thereon), personal service or by telephone (which shall be confirmed by one of the other means of delivery) deliver a Request for Conversion/Continuation to Agent (i) no later than 1:00 p.m., Local Time, one (1) Business Day prior to the proposed conversion date (in the case of a conversion to a Base Rate Loan), and (ii) no later than 1:00 p.m. Local Time, three (3) Eurodollar Business Days before (in the case of a conversion to, or a continuation of, a LIBOR Rate Loan). A Request for Conversion/Continuation shall specify (x) the proposed conversion or continuation date (which shall be a Business Day or a Eurodollar Business Day, as applicable), (y) the amount and type of the Loan to be converted or continued, and (z) the nature of the proposed conversion or continuation.

Any Request for Conversion/Continuation (or telephonic notice in lieu thereof) shall be irrevocable and Borrower shall be obligated to convert or continue in accordance therewith.

No Loan (or portion thereof) may be converted into, or continued as, a LIBOR Rate Loan with an Interest Period that ends after the Maturity Date.

Mandatory Repayment

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The Revolver Commitments, including any commitment to issue any Letter of Credit, shall terminate on the Maturity Date and all Loans, all interest that has accrued and remains unpaid thereon, all contingent reimbursement obligations of Borrower with respect to outstanding Letters of Credit, all unpaid fees, costs, or expenses that are payable hereunder or under any other Loan Document, and all other Obligations immediately shall be due and payable in full, without notice or demand (including either (i) providing cash collateral to be held by Agent in an amount equal to 102% of the Letter of Credit Usage, or (ii) causing the original Letters of Credit to be returned to Agent), on the Maturity Date.

(i) On the last Business Day of each quarter and, in addition, promptly upon the receipt by the Agent of a Currency Valuation Notice (as defined below), the Agent shall determine the aggregate Revolving Credit Facility Usage and Letter of Credit Usage. For the purpose of this determination, the outstanding principal amount of any Loan or the undrawn amount of any outstanding Letter of Credit that is denominated in any Alternative Currency shall be deemed to be the Dollar Equivalent of the amount in the Alternative Currency of such Loan or Letter of Credit, determined as of such quarterly date or, in the case of a Currency Valuation Notice received by the Agent prior to 11:00 a.m., New York time on a Business Day, on such Business Day or, in the case of a Currency Valuation Notice otherwise received, on the first Business Day after such Currency Valuation Notice is received. Upon making such determination, the Agent shall promptly notify the Lenders and the Borrower thereof.

(i) In the event that, as of the date of such determination, the sum of the then outstanding Revolving Credit Facility Usage and the Letter of Credit Usage exceeds 105% of the then extant amount of the Maximum Revolver Amount, then, and in each such event, promptly upon obtaining notice of such excess (and in any event within three (3) Business Days of obtaining such notice) Borrower shall repay such amount or cash collateralize Letters of Credit as shall be necessary so that the outstanding Revolving Credit Facility Usage and the Letter of Credit Usage does not exceed the then extant amount of the Maximum Revolver Amount.

(ii) For purposes hereof, " Currency Valuation Notice " means a notice given by the Required Lenders to the Agent stating that such notice is a "Currency Valuation Notice" and requesting that the Agent determine the aggregate Revolving Credit Facility Usage and Letter of Credit Usage. The Agent shall not be required to make more than one valuation determination pursuant to Currency Valuation Notices within any rolling three month period.

All prepayments of the Loans made pursuant to this Section 2.8 shall (i) prior to the Maturity Date, so long as no Application Event shall have occurred and be continuing, be applied ratably to the outstanding principal amount of the Advances until paid in full, (ii) if an Application Event shall have occurred and be continuing, be applied in the manner set forth in Section 2.3(d)(i) , and (iii) so long as an Event of Default has not occurred and is not continuing, to the extent that such prepayments are to be applied to the Advances pursuant to Section 2.8(c)(i) above, be applied, *first,* ratably to Advances that are Base Rate Loans, until paid in full, and, *second,* ratably to Advances that are LIBOR Rate Loans, until paid in full.

Voluntary Prepayments; Termination and Reduction in Commitments

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Borrower shall have the right, at any time and from time to time, to prepay the Loans without penalty or premium. Borrower shall give Agent written notice not less than 1 Business Day prior to any such prepayment with respect to Base Rate Loans and not less than 3 Eurodollar Business Days prior written notice of any such prepayment with respect to LIBOR Rate Loans. In each case, such notice shall specify the date on which such prepayment is to be made (which shall be a Business Day or Eurodollar Business Day, as applicable), and the amount of such prepayment. Each such prepayment shall be in an aggregate minimum amount of $1,000,000 and shall include interest accrued on the amount prepaid to, but not including, the date of payment in accordance with the terms hereof (or, in each case, such lesser amount constituting the amount of all Loans then outstanding). Any voluntary prepayments of principal by Borrower of a LIBOR Rate Loan prior to the end of the applicable Interest Period shall be subject to Section 2.6(b)(ii) .

Borrower has the option, at any time upon 3 Business Days prior written notice to Agent, to terminate this Agreement and terminate the Revolver Commitments hereunder without penalty or premium by paying to Agent, in cash, the Obligations (including contingent reimbursement obligations of Borrower with respect to outstanding Letters of Credit, but excluding contingent indemnification obligations in respect of claims that are unasserted and unanticipated) in full (including either (i) providing immediately available funds to be held by Agent for the benefit of those Lenders with a Revolver Commitment in an amount equal to 102% of the Letter of Credit Usage, or (ii) causing the original Letters of Credit to be returned to each respective Issuing Lender); provided that the Revolver Commitments shall not be terminated if after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.9(a) , the aggregate amount of the Revolving Credit Facility Usage and Letter of Credit Usage would exceed the aggregate amount of the Revolver Commitments. Promptly following receipt of any notice, Agent shall advise the Lenders of the contents thereof. Each notice delivered by Borrower pursuant to this Section 2.9(b) shall be irrevocable; provided that a notice of termination of the Revolver Commitments delivered by Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by Borrower (by notice to Agent on or prior to the specified effective date) if such condition is not satisfied. If Borrower has sent a notice of termination pursuant to the provisions of this Section, then (subject to the proviso in the preceding sentence) the Revolver Commitments shall terminate and Borrower shall be obligated to repay the Obligations (including contingent reimbursement obligations of Borrower with respect to outstanding Letters of Credit, but excluding contingent indemnification obligations in respect of claims that are unasserted and unanticipated) in full on the date set forth as the date of termination of this Agreement in such notice (including either (I) providing immediately available funds to be held by Agent for the benefit of those Lenders with a Revolver Commitment in an amount equal to 102% of the Letter of Credit Usage, or (II) causing the original Letters of Credit to be returned to each respective Issuing Lender). Any termination of the Revolver Commitments shall be permanent.

Borrower has the option, at any time upon 3 Business Days prior written notice to Agent, to reduce the Revolver Commitments without penalty or premium to an amount not less than the sum of (A) the Revolving Credit Facility Usage as of such date, plus (B) the principal amount of all Advances not yet made as to which a request has been given by Borrower under Section 2.6(b) , plus (C) the amount of all Letters of Credit not yet issued as to which a request has been given by Borrower pursuant to Section 2.10(a) plus (D) the Letter of Credit Usage. Each such reduction shall be in an amount which is not less than $500,000 (unless the Revolver Commitments are being reduced to zero and the amount of the Revolver Commitments in effect immediately prior to such reduction are less than $500,000). Each notice delivered by Borrower pursuant to this Section 2.9(c) shall be irrevocable. Subject to Section 2.18 , once reduced, the Revolver Commitments may not be increased. Each such reduction of the Revolver Commitments shall reduce the Revolver Commitments of each Lender proportionately in accordance with its Pro Rata Share thereof.

Letters of Credit

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Subject to the terms and conditions of this Agreement (including without limitation the provisions of Article III and this Section 2.10(a)), the Total Commitments may be utilized in addition to the Loans provided for in Section 2.1 , upon the request of Borrower made in accordance herewith not later than seven (7) days before the Maturity Date, by the issuance by an Issuing Lender selected by Borrower of letters of credit denominated in Dollars or in an Alternative Currency for the account of Borrower (each, including the Existing Letters of Credit, a " Letter of Credit "), such Issuing Lender shall amend, renew or extend any Letter of Credit. Each request for the issuance of a Letter of Credit, or the amendment, renewal, or extension of any outstanding Letter of Credit, shall be made in writing by any of the individuals identified on Exhibit R-1 attached hereto (or, in certain cases, two of such individuals, all as set forth in further detail in Exhibit R-1 attached hereto) and delivered to the respective Issuing Lender and Agent via hand delivery, facsimile, or other electronic method of transmission reasonably in advance of the requested date of issuance, amendment, renewal, or extension. Each such request shall be in form and substance satisfactory to the respective Issuing Lender in its sole and absolute discretion and shall specify (i) the Issuing Lender, (ii) the amount of such Letter of Credit, (iii) the date of issuance, amendment, renewal, or extension of such Letter of Credit, (iv) the expiration of such Letter of Credit, (v) the name and address of the beneficiary thereof, (vi) whether such Letter of Credit is to be denominated in Dollars or an Alternative Currency (and if to be denominated in an Alternative Currency, the Alternative Currency in which such Letter of Credit is to be denominated) and (vii) such other information (including, in the case of an amendment, renewal, or extension, identification of the outstanding Letter of Credit to be so amended, renewed, or extended) as shall be necessary to prepare, amend, renew, or extend such Letter of Credit. It is hereby acknowledged that an Issuing Lender shall have no obligation to issue a Letter of Credit (A) if, after giving effect to the issuance of such requested Letter of Credit, (1) the Letter of Credit Usage would exceed $200,000,000, (2) the Letter of Credit usage would exceed such Issuing Lender's Letter of Credit Commitment, or (3) the Letter of Credit Usage would exceed the Maximum Revolver Amount less the amount of the Revolving Credit Facility Usage, (B) at any time when one or more of the Lenders is a Defaulting Lender, but only until such time as either (1) the Revolver Commitments of the Defaulting Lender or Defaulting Lenders have been assumed by a Lender that is not a Defaulting Lender, or (2) the Maximum Revolver Amount has been reduced by the amount of such Defaulting Lender's or Defaulting Lenders' Revolver Commitments, (C) if any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Lender from issuing such Letter of Credit, or any law applicable to such Issuing Lender or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Lender shall prohibit, or request that such Issuing Lender refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Lender with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Lender is not otherwise compensated hereunder) not in effect on the Restatement Effective Date, or shall impose upon such Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Restatement Effective Date and which such Issuing Lender in good faith deems material to it, or (D) if the issuance of such Letter of Credit would violate one or more policies of such Issuing Lender applicable to letters of credit generally. Agent shall provide a report to each Lender on a quarterly basis setting forth the then current Letter of Credit Usage and Lender's Pro Rata Share thereof.

Each Letter of Credit shall expire at or prior to the close of business on the date twelve months after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, twelve months after the then-current expiration date of such Letter of Credit, so long as such renewal or extension occurs within three months of such then-current expiration date).

(i) If an Issuing Lender shall make any L/C Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such Issuing Lender in respect of such L/C Disbursement by paying to the Agent an amount equal to such L/C Disbursement not later than 1:00 p.m., New York City time, on (x) the Business Day that the Borrower receives notice of such L/C Disbursement, if such notice is received prior to 10:00 a.m., New York City time, or (y) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time, provided that , if such L/C Disbursement is in Dollars and is not less than $500,000, the Borrower may, prior to the Maturity Date and subject to the conditions to borrowing set forth herein, request in accordance with Section 2.6 that such payment be financed with a Base Rate Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting Base Rate Loan.

(iii) If the Borrower fails to make such payment when due, the Agent shall notify each applicable Lender of the applicable L/C Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Pro Rata Share thereof.

(i) By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) by an Issuing Lender, and without any further action on the part of such Issuing Lender or the Lenders, such Issuing Lender hereby grants to each Lender (other than the respective Issuing Lender), and each Lender (other than the respective Issuing Lender) hereby acquires from such Issuing Lender, a participation in such Letter of Credit equal to such Lender's Pro Rata Share of the aggregate amount available to be drawn under such Letter of Credit. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of any Event of Default or Unmatured Event of Default or reduction or termination of the applicable Total Commitments; provided that no Lender shall be required to purchase a participation in a Letter of Credit pursuant to this Section 2.10(d) if (x) the conditions set forth in Section 3.2 would not be satisfied in respect of a credit extension at the time such Letter of Credit was issued and (y) the Required Lenders shall have so notified such Issuing Lender in writing and shall not have subsequently determined that the circumstances giving rise to such conditions not being satisfied no longer exist; provided further that the obligation of the Lenders to participate in Letters of Credit issued prior to the Maturity Date and remaining outstanding thereafter shall continue solely to the extent that the Borrower shall have defaulted in its obligation to cash collateralize such Letters of Credit on the Maturity Date as required by Section 2.8(a) .

(ii) In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Agent, for account of the respective Issuing Lender, such Lender's Pro Rata Share of each L/C Disbursement made by such Issuing Lender in respect of Letters of Credit promptly upon the request of such Issuing Lender at any time from the time of such L/C Disbursement until such L/C Disbursement is reimbursed or cash collateralized by the Borrower or at any time after any reimbursement payment or cash collateral is required to be refunded to the Borrower for any reason. Such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each such payment shall be made in the same manner as provided in Section 2.6(e) with respect to Loans made by such Lender (and Sections 2.6(e) and (f) shall apply, mutatis mutandis , to the payment obligations of the Lenders), and the Agent shall promptly pay to such Issuing Lender the amounts so received by it from the Lenders. Promptly following receipt by the Agent of any payment from the Borrower pursuant to Section 2.10(c) , the Agent shall distribute such payment to such Issuing Lender or, to the extent that the Lenders have made payments pursuant to this paragraph to reimburse such Issuing Lender, then to such Lenders and such Issuing Lender as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse an Issuing Lender for any L/C Disbursement shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such L/C Disbursement.

The Borrower's obligation to reimburse L/C Disbursements as provided in paragraph (c) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the respective Issuing Lender under a Letter of Credit against presentation of a draft or other document that does not comply strictly with the terms of such Letter of Credit, and (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of the Borrower's obligations hereunder (other than payment in full by the Borrower).

Neither the Agent, the Lenders, any Issuing Lender, any Agent-Related Person nor any Lender-Related Person, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit by an Issuing Lender or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of such Issuing Lender; provided that the foregoing shall not be construed to excuse such Issuing Lender from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by such Issuing Lender's gross negligence or willful misconduct when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that:

(i) an Issuing Lender may accept documents that appear on their face to be in substantial compliance with the terms of a Letter of Credit without responsibility for further investigation, regardless of any notice or information to the contrary, and may make payment upon presentation of documents that appear on their face to be in substantial compliance with the terms of such Letter of Credit;

(ii) an Issuing Lender shall have the right, in its sole discretion, to decline to accept such documents and to make such payment if such documents are not in strict compliance with the terms of such Letter of Credit; and

(iii) this sentence shall establish the standard of care to be exercised by an Issuing Lender when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof (and the parties hereto hereby waive, to the extent permitted by applicable law, any standard of care inconsistent with the foregoing).

Any and all charges, commissions, fees, and costs incurred by an Issuing Lender relating to Letters of Credit shall be Lender Group Expenses for purposes of this Agreement and immediately shall be reimbursable by Borrower to Agent for the account of such Issuing Lender; it being acknowledged and agreed by Borrower that, as of the Restatement Effective Date, the issuance charge imposed by an Issuing Lender is 0.25% per annum times the undrawn amount of each Letter of Credit, and that an Issuing Lender also imposes a schedule of charges for amendments, extensions, drawings, and renewals.

(g) If the Borrower shall be required to cash collateralize Letter of Credit Usage pursuant to Section 2.3 , Section 2.8 , Section 2.9 or Section 7.2 , the Borrower shall immediately deposit into a segregated collateral account or accounts (herein, collectively, the " Letter of Credit Collateral Account ") in the name and under the dominion and control of the Agent cash denominated in the currency of the Letter of Credit under which such Letter of Credit Usage arises in an amount equal to the amount required under Section 2.3 , Section 2.8(a) , Section 2.9 or Section 7.2 , as applicable. Such deposit shall be held by the Agent as collateral in the first instance for the Letter of Credit Usage for the applicable Issuing Lender(s) under this Agreement, and for these purposes the Borrower hereby grants a security interest to the Agent for the benefit of the Lenders and the other Issuing Lenders in the Letter of Credit Collateral Account and in any financial assets (as defined in the Uniform Commercial Code) or other property held therein.

Fees

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Commitment Fee . A commitment fee shall be due and payable quarterly in arrears, on the first day of each quarter, in an amount equal to the Applicable Margin times the result of (i) the Maximum Revolver Amount at such time, less (ii) the sum of (A) the average Daily Balance of Advances that were outstanding during the immediately preceding quarter, plus (B) the average Daily Balance of the Letter of Credit Usage during the immediately preceding quarter.

Fee Letter Fees . Borrower shall pay as and when due and payable under the terms of each Fee Letter, the fees set forth therein.

Maintenance of Records; Effect

. Each Lender shall maintain in accordance with its usual practice records evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts and currency of principal and interest payable and paid to such Lender from time to time hereunder. The Agent shall maintain records in which it shall record (i) the amount and Currency of each Loan made hereunder, the type thereof and each Interest Period therefor, (ii) the amount and currency of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount and currency of any sum received by the Agent hereunder for account of the Lenders and each Lender's share thereof. The entries made in the records maintained pursuant to this Section shall be prima facie evidence, absent obvious error, of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Agent to maintain such records or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with the terms of this Agreement.

Increased Costs

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Increased Costs Generally . If any Change in Law shall:

impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the LIBOR Rate) or any Issuing Lender; or

impose on any Lender or any Issuing Lender or the London interbank market any other condition (other than Excluded Taxes, Indemnified Taxes or Other Taxes of such Lender or Issuing Lender covered under Section 2.23) affecting this Agreement or LIBOR Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any LIBOR Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or such Issuing Lender of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or such Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Lender, as the case may be, for such additional costs incurred or reduction suffered.

Capital Requirements . If any Lender or any Issuing Lender determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Lender's capital or on the capital of such Lender's or such Issuing Lender's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Lender, to a level below that which such Lender or such Issuing Lender or such Lender's or such Issuing Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Lender's policies and the policies of such Lender's or such Issuing Lender's holding company with respect to capital adequacy or liquidity), then from time to time the Borrower will pay to such Lender or such Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Lender or such Lender's or such Issuing Lender's holding company for any such reduction suffered.

Certificates from Lenders . A certificate of a Lender or an Issuing Lender setting forth the amount or amounts necessary to compensate such Lender or such

Issuing Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or such Issuing Lender, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

Notice: Delay in Requests . Each Lender and Issuing Lender agrees to use reasonable efforts to notify the Borrower upon becoming aware of any Change in Law giving rise to a right to compensation pursuant to this Section. Notwithstanding the foregoing, no failure or delay on the part of any Lender or Issuing Lender to give any such notice to the Borrower or to demand compensation pursuant to this Section shall constitute a waiver of such Lender's or Issuing Lender’s right to demand such compensation or otherwise form the basis of any liability of such Lender or Issuing Lender to Borrower; provided that the Borrower shall not be required to compensate a Lender or an Issuing Lender pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that such Lender or such Issuing Lender, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender’s or such Issuing Lender’s intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

Market Disruption and Alternate Rate of Interest

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If at the time that the Agent shall seek to determine the relevant Screen Rate on the Quotation Day for any Interest Period for a LIBOR Rate Loan the applicable Screen Rate shall not be available for such Interest Period and/or for the applicable Currency with respect to such LIBOR Rate Loan for any reason and the Agent shall determine that it is not possible to determine the Interpolated Rate (which conclusion shall be conclusive and binding absent manifest error), then the applicable Reference Bank Rate shall be the Base LIBOR Rate for such Interest Period for such LIBOR Rate Loan; provided, however, if less than two Reference Banks shall supply a rate to the Agent for purposes of determining the Base LIBOR Rate for such LIBOR Rate Loan then (i) if such Advance shall be requested in Dollars, such Advance shall be made as a Base Rate Loan at the Base Rate and (ii) if such Advance shall be requested in any Alternative Currency either, at Borrower's election, (A) any Request for Borrowing that requests a LIBOR Rate Loan denominated in the affected Currency shall be ineffective or (B) for each Lender the Base LIBOR Rate for such LIBOR Rate Loan shall be the cost to such Lender to fund its pro rata share of such LIBOR Rate Loan (from whatever source and using whatever methodologies as such Lender may select in its reasonable discretion).

If prior to the commencement of any Interest Period for a LIBOR Rate Loan (the Currency of such Loan herein called the “ Affected Currency ”) the Agent is advised by the Required Lenders that the LIBOR Rate or the Base LIBOR Rate, as applicable, for a Loan in the applicable currency or for the applicable Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Advance for such Interest Period then, if the Affected Currency is Dollars, the Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Request for Conversion/Continuation that requests the conversion of any Revolver Commitment to, or continuation of any Revolver Commitment as, a LIBOR Rate Loan shall be ineffective and (ii) any Request for Borrowing or Request for Conversion/Continuation shall be made as a Base Rate Loan. If the Affected Currency is an Alternative Currency, then either, at Borrower's election (A) any Request for Borrowing that requests a LIBOR Rate Loan in such Affected Currency shall be ineffective and any Request for Conversion/Continuation of a LIBOR Rate Loan denominated in such Affected Currency shall be ineffective and, on the last day of the then current Interest Period, such LIBOR Rate Loan shall be prepaid by the Borrower, together with accrued and unpaid interest thereon and all other amounts payable by the Borrower under this Agreement or (B) for each Lender the Base LIBOR Rate for such LIBOR Rate Loan shall be the cost to such Lender to fund its pro rata share of such LIBOR Rate Loan (from whatever source and using whatever methodologies as such Lender may select in its reasonable discretion).

Illegality

. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to honor its obligation to make or maintain LIBOR Rate Loans in any Currency hereunder, then such Lender shall promptly notify the Borrower thereof (with a copy to the Agent), such Lender's obligation to make, convert or continue LIBOR Rate Loans in such Currency shall be suspended until such time as such Lender may again make or maintain LIBOR Rate Loans in such Currency, and if applicable law shall so mandate, such Lender's LIBOR Rate Loans in such Currency shall be prepaid by the Borrower, together with accrued and unpaid interest thereon and all other amounts payable by the Borrower under this Agreement, on or before such date as shall be mandated by such applicable law.

Place of Loans

. Nothing herein shall be deemed to obligate the Lenders (or Agent on behalf thereof) to obtain the funds to make any Loan in any particular place or manner and nothing herein shall be deemed to constitute a representation by Agent or any Lender that it has obtained or will obtain such funds in any particular place or manner.

Survivability

. Borrower's obligations under Section 2.13 hereof shall survive repayment of the Loans made hereunder and termination of the Revolver Commitments for a period of 90 days after such repayment and termination.

Increase in Revolver Commitments .

Administrative Entity may, by written notice to Agent and the Lenders, elect to request increases in the existing Revolver Commitments and the Maximum Revolver Amount (each increase that satisfies the terms and conditions of this Section 2.18 , an " Approved Increase ") by an aggregate amount, for all such increases under this Section 2.18 , that does not exceed $250,000,000.00. Each Approved Increase shall be in a minimum principal amount of $5,000,000 unless otherwise agreed by Agent. Each such notice shall specify (i) the amount of the proposed increase, if any, to the existing Revolver Commitments and the Maximum Revolver Amount, (ii) the date on which such increase shall become effective (the " Increase Effective Date "), and (iii) the identity of each Lender or other Eligible Transferee to whom Administrative Entity proposes any portion of such increased or new Revolver Commitments be allocated and the amounts of such allocations; provided that any Lender or other Eligible Transferee approached to provide all or a portion of the increased or new Revolver Commitments may elect or decline, in its sole discretion, to provide such increased or new Revolver Commitment and Maximum Revolver Amount, and the Revolver Commitments, the Maximum Revolver Amount, and the Total Commitments shall only be increased to the extent of Revolver Commitments agreed to be provided by Lenders or Eligible Transferees. Any Eligible Transferee who agrees to provide such increased or new Revolver Commitment and Maximum Revolver Amount shall execute a joinder agreement to which such Eligible Transferee and Agent (whose consent thereto shall not be unreasonably withheld or delayed) are party (the " Increase Joinder "). If such proposed Lender agrees to execute an Increase Joinder in connection with an Approved Increase, such Increase Joinder may, without the consent of any other Lender, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the opinion of Agent, to effect the provisions of this Section 2.18 . In connection with any such Approved Increase, Borrower shall execute and deliver to Agent (with sufficient additional originals thereof for each Lender) a new Form U-1 (together with such other documentation as Agent shall reasonably request, if any) in order to enable Agent and the Lenders to comply with any of the requirements under Regulations T, U or X of the Federal Reserve Board. Unless otherwise specifically provided herein, all references in this Agreement and any other Loan Document to Loans shall be deemed, unless the context otherwise requires, to include Loans made pursuant to the increased Revolver Commitments made pursuant to this Section 2.18 .

The increased Revolver Commitments and Maximum Revolver Amount with respect to an Approved Increase shall become effective as of such Increase Effective Date; provided that each of the conditions set forth in Section 3.2 shall be satisfied.

The terms and provisions of Loans made pursuant to an Approved Increase shall be identical to the terms and provisions applicable to the relevant Loans made immediately prior to such Increase Effective Date.

To the extent any Advances or Letters of Credit are outstanding on the Increase Effective Date when the Revolver Commitments and the Maximum Revolver Amount are increased, each of the Lenders having a Revolver Commitment prior to the Increase Effective Date (the " Revolver Pre-Increase Lenders " *)* shall assign to any Lender which is acquiring a new or additional Revolver Commitment on the Increase Effective Date (the " Revolver Post-Increase Lenders "), and such Revolver Post-Increase Lenders shall purchase from each Revolver Pre-Increase Lender, at the principal amount thereof, such interests in the Advances and participation interests in Letters of Credit on such Increase Effective Date as shall be necessary in order that, after giving effect to all such assignments and purchases, such Advances and participation interests in Letters of Credit will be held by Revolver Pre-Increase Lenders and Revolver Post-Increase Lenders ratably in accordance with their Pro Rata Share after giving effect to such increased Revolver Commitments.

The Loans and Revolver Commitments established pursuant to this Section shall constitute Loans and Revolver Commitments under, and shall be entitled to all the benefits afforded by, this Agreement and the other Loan Documents, and shall, without limiting the foregoing, benefit equally and ratably from the guarantees and security interests created by the Loan Documents.

Exchange Rates; Currency Equivalents

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At any time, any reference in the definition of the term "Alternative Currency" or in any other provision of this Agreement to the currency of any particular nation means the lawful currency of such nation at such time whether or not the name of such currency is the same as it was on the Restatement Effective Date. The outstanding principal amount of any Loan or Letter of Credit that is denominated in any Alternative Currency shall be deemed to be the Dollar Equivalent of the amount of the Alternative Currency of such Loan or Letter of Credit. Wherever in this Agreement in connection with a Loan or Letter of Credit an amount, such as a required minimum or multiple amount, is expressed in Dollars, but such Loan or Letter of Credit is denominated in an Alternative Currency, such amount shall be the relevant Alternative Currency Equivalent of such Dollar amount (rounded to the nearest 1,000 units of such Alternative Currency).

Each obligation hereunder of any party hereto that is denominated in the national currency of a state that is not a Participating Member State on the Restatement Effective Date shall, effective from the date on which such state becomes a Participating Member State, be redenominated in euro in accordance with the legislation of the European Union applicable to the European Monetary Union; provided that , if and to the extent that any such legislation provides that any such obligation of any such party payable within such Participating Member State by crediting an account of the creditor can be paid by the debtor either in euros or such national currency, such party shall be entitled to pay or repay such amount either in Euros or in such national currency. If the basis of accrual of interest or fees expressed in this Agreement with respect to an Alternative Currency of any country that becomes a Participating Member State after the date on which such currency becomes an Alternative Currency shall be inconsistent with any convention or practice in the interbank market for the basis of accrual of interest or fees in respect of the euro, such convention or practice shall replace such expressed basis effective as of and from the date on which such state becomes a Participating Member State; provided that , with respect to any Loan denominated in such currency that is outstanding immediately prior to such date, such replacement shall take effect at the end of the Interest Period therefor.

Without prejudice to the respective liabilities of the Borrower to the Lenders and the Lenders to the Borrower under or pursuant to this Agreement, each provision of this Agreement shall be subject to such reasonable changes of construction as the Agent may from time to time, in consultation with the Borrower, reasonably specify to be necessary or appropriate to reflect the introduction or changeover to the euro in any country that becomes a Participating Member State after the Restatement Effective Date; provided that , the Agent shall provide the Borrower and the Lenders with prior notice of the proposed change with an explanation of such change in sufficient time to permit the Borrower and the Lenders an opportunity to respond to such proposed change.

Joint and Several Liability of Each of the Entities Comprising Borrower

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Each of the entities comprising Borrower expects to derive benefit, directly or indirectly, from each of the Loans made to each of the entities comprising Borrower since the successful operation of each of the entities comprising Borrower is dependent on the continued successful performance of the integrated group. Each of the entities comprising Borrower is accepting joint and several liability hereunder and under the other Loan Documents in consideration thereof, in consideration of the financial accommodations to be provided by the Lender Group under this Agreement, for the mutual benefit, directly and indirectly, of each of the entities comprising Borrower and in consideration of the undertakings of the each of the other entities comprising Borrower to accept joint and several liability for the Obligations.

Each of the entities comprising Borrower, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the each of the other entities comprising Borrower, with respect to the payment and performance of all of the Obligations (including any Obligations arising under this Section 2.20), it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each of the entities comprising Borrower without preferences or distinction among them.

If and to the extent that any of the entities comprising Borrower shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then in each such event each of the other entities comprising Borrower will make such payment with respect to, or perform, such Obligation.

The Obligations of each of the entities comprising Borrower under the provisions of this Section 2.20 constitute the absolute and unconditional, full recourse Obligations of each of the entities comprising Borrower enforceable against each of the entities comprising Borrower to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or any other circumstances whatsoever.

Except as otherwise expressly provided in this Agreement, each of the entities comprising Borrower, solely with respect to any action taken or not taken by the other entity comprising Borrower, hereby waives notice of acceptance of its joint and several liability, notice of any Advances or Letters of Credit issued under or pursuant to this Agreement, notice of the occurrence of any Unmatured Event of Default, Event of Default, or of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by Agent or Lenders under or in respect of any of the Obligations, any requirement of diligence or to mitigate damages and, generally, to the extent permitted by applicable law, all demands, notices and other formalities of every kind in connection with this Agreement (except as otherwise provided in this Agreement). Each of the entities comprising Borrower, solely with respect to any action taken or not taken by the other entity comprising Borrower, hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Obligations, the acceptance of any payment of any of the Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by Agent or Lenders at any time or times in respect of any default by any of the entities comprising Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever by Agent or Lenders in respect of any of the Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Obligations or the addition, substitution or release, in whole or in part, of any of the entities comprising Borrower. Without limiting the generality of the foregoing, each of the entities comprising Borrower assents to any other action or delay in acting or failure to act on the part of any Agent or Lender with respect to the failure by any of the entities comprising Borrower to comply with any of its respective Obligations, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this Section 2.20 afford grounds for terminating, discharging or relieving any of the entities comprising Borrower, in whole or in part, from any of its Obligations under this Section 2.20 , it being the intention of each of the entities comprising Borrower that, so long as any of the Obligations hereunder remain unsatisfied, the Obligations of each of the entities comprising Borrower under this Section 2.20 shall not be discharged except by payment in full (or cash collateralization, cancellation or expiration in the case of Letters of Credit). The Obligations of each of the entities comprising Borrower under this Section 2.20 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any of the entities comprising Borrower or any Agent or Lender.

Each of the entities comprising Borrower represents and warrants to Agent and Lenders that such entity comprising Borrower is currently informed of the financial condition of each of the other entities comprising Borrower and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Each of the entities comprising Borrower further represents and warrants to Agent and Lenders that such entity comprising Borrower has read and understands the terms and conditions of the Loan Documents. Each of the entities comprising Borrower hereby covenants that such entity comprising Borrower will continue to keep informed of Borrowers' financial condition, the financial condition of other guarantors, if any, and of all other circumstances which bear upon the risk of nonpayment or nonperformance of the Obligations.

Each of the entities comprising Borrower waives all rights and defenses arising out of an election of remedies by Agent or any Lender, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed Agent's or such Lender's rights of subrogation and reimbursement against such entity comprising Borrower by the operation of Section 580(d) of the California Code of Civil Procedure or otherwise.

The provisions of this Section 2.20 are made for the benefit of Agent, Lenders and their respective successors and assigns, and may be enforced by it or them from time to time as permitted by the terms of this Agreement against any or all of the entities comprising Borrower as often as occasion therefor may arise and without requirement on the part of Agent, Lender, successor or assign first to marshal any of its or their claims or to exercise any of its or their rights against any of the entities comprising Borrower or to exhaust any remedies available to it or them against any of the entities comprising Borrower or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this Section 2.20 shall remain in effect until all of the Obligations shall have been paid in full (or cash collateralized, cancelled or expired in the case of Letters of Credit) or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by Agent or any Lender upon the insolvency, bankruptcy or reorganization of any of the entities comprising Borrower, or otherwise, the provisions of this Section 2.20 will forthwith be reinstated in effect, as though such payment had not been made.

Each of the entities comprising Borrower hereby waives any of its rights of contribution or subrogation against any of the other entities comprising Borrower with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to Agent or Lenders with respect to any of the Obligations or any collateral security therefor.

[Reserved]

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Defaulting Lenders

. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

commitment fees pursuant to Section 2.11(a) shall cease to accrue on the unfunded portion of the Revolver Commitment of such Defaulting Lender;

the Revolving Credit Facility Usage and Letter of Credit Usage of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 11.2); provided , that this clause (b) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification requiring the consent of such Lender or each Lender affected thereby;

if any Letter of Credit Usage exists at the time such Lender becomes a Defaulting Lender then:

all or any part of the Letter of Credit Usage of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Pro Rata Share but only to the extent the sum of all non-Defaulting Lenders' Revolving Credit Facility Usage plus such Defaulting Lender's Letter of Credit Usage does not exceed the total of all non-Defaulting Lenders' Revolver Commitments and provided that at no time shall the sum of any Lender's aggregate Advances and such Lender's Pro Rata Share of the aggregate Letter of Credit Usage exceed such Lender's Revolver Commitment;

if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within two Business Days following notice by the Agent, cash collateralize for the benefit of each Issuing Lender only the Borrower's obligations corresponding to such Defaulting Lender's Letter of Credit Usage in accordance with the procedures set forth in Section 2.10 ;

if the Borrower cash collateralizes any portion of such Defaulting Lender's Letter of Credit Usage pursuant to clause (ii) above, the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.3(g) with respect to such Defaulting Lender's Letter of Credit Usage during the period such Defaulting Lender's Letter of Credit Usage is cash collateralized;

if the Letter of Credit Usage of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Section 2.11(a) and Section 2.3(g) shall be adjusted in accordance with such non-Defaulting Lenders' Pro Rata Share; and

if all or any portion of such Defaulting Lender's Letter of Credit Usage is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of any Issuing Lender or any other Lender hereunder, all letter of credit fees payable under Section 2.3(g) with respect to such Defaulting Lender's Letter of Credit Usage shall be payable to the respective Issuing Lender until and to the extent that such Letter of Credit Usage is reallocated and/or cash collateralized; and so long as such Lender is a Defaulting Lender, an Issuing Lender shall not be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure and the Defaulting Lender's then outstanding Letter of Credit Usage will be 100% covered by the Revolver Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.22(c) , and participating interests in any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.22(c)(i) (and such Defaulting Lender shall not participate therein).

If (a) a Bankruptcy Event with respect to a parent of any Lender shall occur following the Restatement Effective Date and for so long as such event shall continue or (b) an Issuing Lender has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, such Issuing Lender shall not be required to issue, amend or increase any Letter of Credit, or an Issuing Lender shall have entered into arrangements with the Borrower or such Lender, satisfactory to such Issuing Lender to defease any risk to it in respect of such Lender hereunder.

In the event that the Agent, the Borrower, and such Issuing Lender each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Letter of Credit Usage of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders as the Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Pro Rata Share.

Taxes

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Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Agent, each Lender or each Issuing Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

The Borrower shall indemnify the Agent, each Lender and each Issuing Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Agent, such Lender or such Issuing Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or an Issuing Lender, or by the Agent on its own behalf or on behalf of a Lender or an Issuing Lender, shall be conclusive absent manifest error.

As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Agent

Each Foreign Lender shall deliver to the Borrower and the Agent on the date on which such Foreign Lender becomes a Lender under any Loan Document (and from time to time thereafter upon the reasonable request of the Borrower or the Agent), two original copies of whichever of the following is applicable: (i) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (1) with respect to payments of interest under any Loan Document, IRS Form W-8BEN (or any subsequent versions thereof or successors thereto) establishing an exemption from, or reduction of, U.S. federal withholding tax pursuant to the “interest” article of such tax treaty and (2) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN (or any subsequent versions thereof or successors thereto) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty, (ii) duly completed copies of Internal Revenue Service Form W-8ECI (or any subsequent versions thereof or successors thereto), (iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 871(h) or 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender qualifies for such exemption and (y) duly completed copies of Internal Revenue Service Form W-8BEN (or any subsequent versions thereof or successors thereto), (iv) duly completed copies of Internal Revenue Service Form W-8IMY, together with forms and certificates described in clauses (i) through (iii) above (and Forms W-9 and additional Form W-8IMYs) as may be required or (v) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower to determine the withholding or deduction required to be made. In addition, in each of the foregoing circumstances, each Foreign Lender shall deliver such forms, if legally entitled to deliver such forms, promptly upon the obsolescence, expiration or invalidity of any form previously delivered by such Foreign Lender. Each Foreign Lender shall promptly notify the Borrower (or such other relevant Loan Party) at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the United States or other taxing authorities for such purpose).

Any Lender shall deliver to the Borrower and the Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter as prescribed by applicable law or upon the request of the Borrower or the Agent), duly executed and properly completed copies of Internal Revenue Service Form W-9 or W-8, as applicable, certifying that it is not subject to U.S. federal backup withholding.

If a payment made to a Foreign Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Foreign Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Foreign Lender shall deliver to the Borrower and the Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Agent as may be necessary for the applicable withholding agent to comply with its obligations under FATCA, to determine that such Foreign Lender has complied with such Foreign Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment.

If the Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that the Borrower, upon the request of the Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Agent or such Lender in the event the Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require the Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

For purposes of determining withholding Taxes imposed under FATCA, from and after August 5, 2015, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) this Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i) or 1.471-2T(b)(2)(i).

Mitigation of Obligations

. If any Lender or Issuing Lender requests compensation under Section 2.13 , or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.23 , then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans or obligations in respect of any Letters of Credit issued hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender or Issuing Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Sections 2.13 or 2.23 , as the case may be, in the future and (ii) would not subject such Lender or Issuing Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender or Issuing Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender or Issuing Lender in connection with any such designation or assignment.

CONDITIONS TO LOANS

Conditions Precedent to the Restatement Effective Date

. The obligation of each Lender to make its initial extension of credit hereunder and the occurrence of the Restatement Effective Date is subject to the fulfillment, to the reasonable satisfaction of Agent and each Lender and its counsel, of each of the following conditions on or before November 30, 2014:

Borrower shall have executed and delivered to Agent the Disclosure Statement required under this Agreement. The form and content of the Disclosure Statement shall be reasonably satisfactory to the Lenders;

Agent shall have received this Agreement, the Agent Fee Letter, the Confirmation Agreement and each other Loan Document not previously delivered to it, each duly executed and delivered by each party thereto;

Agent shall have received the written opinions, dated the Restatement Effective Date, of counsel to the Loan Parties, with respect to this Agreement, which written opinions shall be in form and substance as set forth in Exhibit 3.1(c) ;

Agent shall have received a certificate of status with respect to each Loan Party dated within 30 days of the date of effectiveness of this Agreement, or confirmed by facsimile, if facsimile confirmation is available, each such certificate to be issued by the Secretary of State of Delaware, and which certificates shall indicate that the applicable Loan Party is in good standing in such State;

Agent shall have received a copy of each Loan Party's Governing Documents, certified by a Responsible Officer with respect to Borrower, which certificate shall be in form and substance as set forth in Exhibit 3.1(f) ;

Agent shall have received a copy of the resolutions or the unanimous written consents with respect to each Loan Party, certified as of the Restatement Effective Date by a Responsible Officer, authorizing (A) the transactions contemplated by the Loan Documents to which such Loan Party is or will be a party, and (B) the execution, delivery and performance by such Loan Party of each Loan Document to which it is or will be a party and the execution and delivery of the other documents to be delivered by it in connection herewith and therewith, which certificate shall be in form and substance as set forth in Exhibit 3.1(f) ;

Agent shall have received a signature and incumbency certificate of the Responsible Officer with respect to each Loan Party executing this Agreement and the other Loan Documents not previously delivered to Agent to which it is a party, certified by a Responsible Officer, which certificate shall be in form and substance as set forth in Exhibit 3.1(f) ;

Borrower shall have paid all Lender Group Expenses incurred in connection with the transactions evidenced by this Agreement and all fees due on the Restatement Effective Date pursuant to any Fee Letter;

Agent shall have received a certificate executed by a Responsible Officer with respect to Borrower to the effect that the Loan Parties have obtained all orders, consents, approvals, and other authorizations and has made all filings and other notifications (governmental or otherwise) required in connection with the Loan Documents, other than orders, consents, approvals, authorizations, or filings the failure to obtain or file, as applicable, which could not reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole;

Agent shall have received the audited financial reports prepared by Ares Holdings Inc. and Ares Investments LLC containing a statement of financial condition, and statements of operations, calculated for each such Person and its respective Subsidiaries on a Stand Alone basis which deconsolidates funds required to be consolidated under GAAP, including a market value report regarding each of its respective Investments, for the fiscal year ending December 31, 2013, certified by a Responsible Officer with respect to such Person as being a true and correct copy thereof, and which shall be in form and substance reasonably satisfactory to Agent;

no litigation, inquiry, other action or proceeding (governmental or otherwise), or injunction or other restraining order shall be pending or overtly threatened that could reasonably be expected to have, in the reasonable opinion of Agent: (i) a Material Adverse Effect on the ability of the Loan Parties, taken as a whole, to repay the Loans and the Letters of Credit, or (ii) a material adverse effect on the Loan Parties, taken as a whole;

Borrower shall execute and deliver to Agent (with sufficient additional originals thereof for each Lender) a Form U-1 (together with such other documentation as Agent shall reasonably request, if any) in order to enable Agent and the Lenders to comply with any of the requirements under Regulations T, U or X of the Federal Reserve Board;

[Reserved];

an IPO Event (including the primary and secondary offerings) with net proceeds of not less than $250,000,000.00 shall have been consummated; and

the conditions in Sections 3.2(a) and (b) shall be satisfied on and as of the Restatement Effective Date.

Conditions Precedent to All Extensions of Credit

. The obligation of the Lender Group (or any member thereof) to make any Loan hereunder (or to issue, extend or renew any Letter of Credit or extend any other credit hereunder) is subject to the fulfillment, at or prior to the time of the making of such extension of credit, of each of the following conditions:

the representations and warranties of Loan Parties contained in this Agreement and the other Loan Documents shall be true and correct in all material respects on and as of the date of such extension of credit as though made on and as of such date (provided that , to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided , further that, any representation and warranty that is qualified as to "materiality," "Material Adverse Effect" or similar language shall be true and correct in all respects on such respective dates);

no Event of Default or Unmatured Event of Default shall have occurred and be continuing on the date of such extension of credit, nor shall either result from the making of such extension of credit;

no event or development has occurred which could reasonably be expected to result in a Material Adverse Effect with respect to the Loan Parties, taken as a whole;

Borrower shall have delivered to Agent a Request for Borrowing pursuant to the terms of Section 2.6 hereof or in the case of any Letter of Credit, a request therefor in accordance with Section 2.10 ; and

the proceeds of such extension of credit (including any Letter of Credit) shall have been, and shall be (after giving effect to such requested extension of credit), used to (i) refinance existing Debt owed pursuant to the Existing Credit Agreement, (ii) fund certain fees, costs and expenses incurred in connection with this Agreement and the other Loan Documents, (iii) finance Permitted Investments, (iv) finance the ongoing working capital needs and general corporate purposes of the Borrower including, without limitation, to finance acquisitions otherwise permitted hereunder or (v) effect any other Distribution permitted hereunder, provided that the proceeds shall not be available to repay any Debt that is junior or structurally subordinated to the Obligations. Such use of proceeds shall be evidenced on the Request for Borrowing delivered to Lender pursuant to the terms of Section 2.6 hereof.

REPRESENTATIONS AND WARRANTIES OF BORROWER

Borrower makes the following representations and warranties which, except as set forth in the Disclosure Statement with a specific reference to the Section of this Article IV affected thereby, shall be true, correct, and complete in all material respects as of the Restatement Effective Date, at and as of the date of each Loan, and at and as of the date of each issuance of, renewal of, or amendment to any Letter of Credit (other than technical amendments to any Letter of Credit that do not change the maturity date thereof, the face amount thereof, the amount of any fees or other charges with respect thereto, or any other material term set forth therein), as though made on and as of the date of the making of such Loan or at and as of the date of such issuance of, renewal of, or amendment to any Letter of Credit (other than technical amendments to any Letter of Credit that do not change the maturity date thereof, the face amount thereof, the amount of any fees or other charges with respect thereto, or any other material term set forth therein) (provided that, to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided , further that, any representation and warranty that is qualified as to "materiality," "Material Adverse Effect" or similar language shall be true and correct in all respects on such respective dates) and such representations and warranties shall survive the execution and delivery of this Agreement and the making of the Loans and the issuance of the Letters of Credit:

Due Organization

. Borrower is a duly organized and validly existing limited partnership in good standing under the laws of the State of Delaware and is duly qualified to conduct business in all jurisdictions where its failure to do so could reasonably be expected to have a Material Adverse Effect on Borrower. Each Guarantor is a duly organized and validly existing limited liability company, corporation, or limited partnership, as applicable, in good standing under the laws of the state of its organization and is duly qualified to conduct business in all jurisdictions where its failure to do so could reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole.

Interests in Loan Parties

.

As of the Restatement Effective Date, all of the interests in each Loan Party are owned by the Persons identified in the Disclosure Statement. As of the Restatement Effective Date, the Subsidiaries listed in the Disclosure Statement include all of the Significant Restricted Subsidiaries (other than the Loan Parties or any Foreign Subsidiaries).

Borrower may amend the Disclosure Statement with respect to this Section 4.2 to reflect changes that would not, individually or in the aggregate result in a Change of Control Event.

Requisite Power and Authorization

. Borrower has all requisite limited partnership power to execute and deliver this Agreement and the other Loan Documents to which it is a party, and to borrow the sums provided for in this Agreement. Each Guarantor has all requisite limited liability company, corporate, or limited partnership power to execute and deliver the Loan Documents to which it is a party. Each Loan Party has all governmental licenses, authorizations, consents, and approvals necessary to own and operate its Assets and to carry on its businesses as now conducted and as proposed to be conducted, other than licenses, authorizations, consents, and approvals that are not currently required or the failure to obtain which could not reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole. The execution, delivery, and performance of this Agreement and the other Loan Documents have been duly authorized by Borrower and all necessary limited partnership action in respect thereof has been taken, and the execution, delivery, and performance thereof do not require any consent or approval of any other Person that has not been obtained. The execution, delivery, and performance of the Loan Documents to which it is a party have been duly authorized by each Guarantor and all necessary limited liability company, corporate, or limited partnership action in respect thereof has been taken, and the execution, delivery, and performance of the Loan Documents to which a Guarantor is a party do not require any consent or approval of any other Person that has not been obtained.

Binding Agreements

. This Agreement and the other Loan Documents to which Borrower is a party, when executed and delivered by Borrower, will constitute, the legal, valid, and binding obligations of Borrower, enforceable against Borrower in accordance with their terms, and the Loan Documents to which the Guarantors are a party, when executed and delivered by the Guarantors, as applicable, will constitute, the legal, valid, and binding obligations of the Guarantors, as applicable, enforceable against the Guarantors, as applicable, in accordance with their terms, in each case except as the enforceability hereof or thereof may be affected by: (a) bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the enforcement of creditors' rights generally, and (b) equitable principles of general applicability.

Other Agreements

. The execution, delivery, and performance by Borrower of this Agreement and the other Loan Documents to which it is a party, and the execution, delivery and performance by each of the Guarantors of the Loan Documents to which they are a party, do not and will not: (a) violate (i) any provision of any federal (including the Exchange Act), state, or local law, rule, or regulation (including Regulations T, U, and X of the Federal Reserve Board) binding on any Loan Party, (ii) any order of any domestic governmental authority, court, arbitration board, or tribunal binding on any Loan Party, or (iii) the Governing Documents of any Loan Party, or (b) contravene any provisions of, result in a breach of, constitute (with the giving of notice or the lapse of time) a default under, or result in the creation of any Lien upon any of the Assets of any Loan Party pursuant to, any Contractual Obligation of any Loan Party, or (c) require termination of any Contractual Obligation of any Loan Party, or (d) constitute a tortious interference with any Contractual Obligation of any Loan Party, in each case, except as could not reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole.

Litigation; Adverse Facts

.

There is no action, suit, proceeding, or arbitration (irrespective of whether purportedly on behalf of any Loan Party) at law or in equity, or before or by any federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality, domestic or foreign, pending or, to the actual knowledge of Borrower, threatened in writing against or affecting any Loan Party, that could reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole, or could reasonably be expected to materially and adversely affect such Person's ability to perform its obligations under the Loan Documents to which it is a party (including Borrower's ability to repay any or all of the Loans when due);

None of the Loan Parties is: (i) in violation of any applicable law in a manner that could reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole, or (ii) subject to or in default with respect to any final judgment, writ, injunction, decree, rule, or regulation of any court or of any federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality, domestic or foreign, in a manner that could reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole, or could reasonably be expected to materially and adversely affect such Person's ability to perform its obligations under the Loan Documents to which it is a party (including Borrower's ability to repay any or all of the Loans when due); and

(i) there is no action, suit, proceeding or, to the best of Borrower's knowledge, investigation pending or, to the best of Borrower's knowledge, threatened in writing against or affecting any Loan Party that questions the validity or the enforceability of this Agreement or other the Loan Documents, and (ii) there is no action, suit, or proceeding pending against or affecting any Loan Party pursuant to which, on the date of the making of any Loan hereunder or on the date of each issuance of, renewal of, or amendment to any

Letter of Credit (other than technical amendments to any Letter of Credit that do not change the maturity date thereof, the face amount thereof, the amount of any fees or other charges with respect thereto, or any other material term set forth therein), there is in effect a binding injunction that could reasonably be expected to materially and adversely affect the validity or enforceability of this Agreement or the other Loan Documents.

Government Consents

. Other than such as may have previously been obtained, filed, or given, as applicable, no consent, license, permit, approval, or authorization of, exemption by, notice to, report to or registration, filing, or declaration with, any governmental authority or agency is required in connection with the execution, delivery, and performance by the Loan Parties of the Loan Documents to which they are a party, in each case, except as could not reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole.

Title to Assets; Liens

. Except for Permitted Liens, all of the Assets of the Loan Parties are free from all Liens of any nature whatsoever. Except for Permitted Liens, the Loan Parties have good and sufficient title to all of their respective Assets reflected in their books and records as being owned by them or their nominee. Neither this Agreement, nor any of the other Loan Documents, nor any transaction contemplated under any such agreement will affect any right, title, or interest of any Loan Party in and to any of the Assets of any Loan Party in a manner that could reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole.

Payment of Taxes

. All tax returns and reports of the Loan Parties (and all taxpayers with which any Loan Party is or has been consolidated or combined) required to be filed by it has been timely filed (inclusive of any permitted extensions), and all Taxes, assessments, fees, amounts required to be withheld and paid to a Governmental Authority and all other governmental charges upon the Loan Parties, and upon their Assets, income, and franchises, that are due and payable have been paid, except to the extent that: (a) the failure to file such returns or reports, or pay such Taxes, assessments, fees, or other governmental charges, as applicable, could not reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole, or (b) other than with respect to Taxes, assessments, charges or claims which have become a federal tax Lien upon any of any Loan Party's Assets, such Tax, assessment, charge, or claim is being contested, in good faith, by appropriate proceedings promptly instituted and diligently conducted, and an adequate reserve or other appropriate provision, if any, shall have been made as required in order to be in conformity with GAAP. Borrower does not know of any proposed, asserted, or assessed tax deficiency against it or any Guarantor that, if such deficiency existed and had to be rectified, could reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole.

<u>Governmental Regulation</u>

.

Borrower and its Subsidiaries are not, nor immediately after the application by Borrower of the proceeds of the Loans will they be, required to be registered as an “investment company” under the Investment Company Act of 1940, as amended. Each Ares Fund that is required to be registered as an “investment company” under the Investment Company Act of 1940, as amended, is so registered.

Borrower and each of its Subsidiaries and their respective members, partners, officers, directors, other employees (in their capacity as employees), to the extent required under applicable law, are duly registered as an investment adviser or an associated person of an investment adviser, as applicable, under the Investment Advisers Act of 1940, as amended (and has been so registered at all times when such registration has been required by applicable law with respect to the services provided for Borrower’s Subsidiaries and for the Ares Funds).

Borrower and each of its Subsidiaries, to the extent required under applicable law, are duly registered as a broker-dealer or as a member of a self-regulatory organization, such as FINRA (and has been so registered at all times when such registration has been required by applicable law with respect to the services provided for Borrower’s Subsidiaries and for the Ares Funds).

Borrower, each of its Subsidiaries, and each of their respective members, partners, officers, directors and other employees (in their capacity as employees), as the case may be, to the extent required under applicable law, is registered, licensed or qualified as a broker-dealer, broker-dealer representative, a registered representative, or agent in any State of the United States or with the SEC (and has been so registered, licensed or qualified at all times when such registration, license, or qualification has been required by applicable law with respect to the services provided for Borrower’s Subsidiaries and for the Ares Funds). Other than Borrower, its Subsidiaries, their respective officers, directors and employees, and other Persons in connection with subadvisory arrangements, there are no other Persons who act in the capacity as an investment adviser (as such term is defined in the Investment Advisers Act of 1940, as amended) or an associated person of an investment adviser, in each case with respect to any of the Ares Funds.

No Loan Party is subject to regulation under the Federal Power Act or any federal, state, or local law, rule, or regulation generally limiting its ability to incur Debt.

<u>Disclosure</u>

. No representation or warranty of any Loan Party contained in this Agreement or any other document, certificate, or written statement furnished to Agent or any Lender by or on behalf of Borrower with respect to the business, operations, Assets, or condition (financial or otherwise) of the Loan Parties for use solely in connection with the transactions contemplated by this Agreement (other than projections (if any), pro forma financial statements and budgets) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein, taken as a whole and in light of the circumstances under which they were made, not materially misleading. There is no fact actually known to Borrower (other than matters of a general economic nature) that Borrower believes reasonably could be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole, that has not been disclosed herein or in such other documents, certificates, and statements furnished to Agent or any Lender for use in connection with the transactions contemplated hereby.

Debt

. Neither any Loan Party nor any of their respective Subsidiaries has any Debt outstanding other than Debt permitted by Section 6.1 hereof.

Existing Defaults

. No Loan Party is in default in the performance, observance or fulfillment of any of the obligations, contained in any Contractual Obligation applicable to it, and no condition exists which, with or without the giving of notice or the lapse of time, would constitute a default under such Contractual Obligation, except, in any such case, where the consequences, direct or indirect, of such default or defaults, if any, could not reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole.

No Default; No Material Adverse Effect

.

No Event of Default or Unmatured Event of Default has occurred and is continuing or would result from any proposed Loan or Letter of Credit.

No event or development has occurred which could reasonably be expected to result in a Material Adverse Effect with respect to the Loan Parties, taken as a whole.

Reserved

. [Intentionally Omitted]

Reserved

. [Intentionally Omitted]

Governing Documents of the Guarantors

. As of the Restatement Effective Date, true, correct and complete copies of each Loan Party's Governing Documents have been provided to the Agent and each Lender.

Anti-Corruption Laws and Sanctions

. The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions in all material respects, and the Borrower, its Subsidiaries and, to the knowledge of the Borrower, their respective officers and employees and the Borrower's directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of the Borrower, any Subsidiary or to the knowledge of the Borrower, any of their respective Affiliates, directors, officers or employees, any agent of the Borrower that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No Loan or Letter of Credit, use of proceeds or other transaction contemplated by this Agreement will violate Anti-Corruption Laws or applicable Sanctions.

EEA Financial Institutions . No Loan Party is an EEA Financial Institution.

AFFIRMATIVE COVENANTS OF BORROWER

Borrower covenants and agrees that, so long as any portion of the Revolver Commitment under this Agreement shall be in effect and until payment, in full, of the Loans, with interest accrued and unpaid thereon, all other Obligations (including Obligations in respect of Letters of Credit, unless all such Letters of Credit are cancelled, expire or are cash collateralized in accordance with the provisions of Section 2.8(a) hereof) and all other amounts due hereunder, and except as set forth in the Disclosure Statement with specific reference to the Section of this Article V affected thereby concerning matters which do not conform to the covenants of this Article V , Borrower will do, and (except in the case of the covenants set forth in Sections 5.2(a) , (b) , (c) , (d) and (e) , which covenants shall be performed by the Borrower) will cause the other Loan Parties and their Restricted Subsidiaries (and, in the case of Sections 5.3, 5.4 and 5.5, each Designated Subsidiary) to do, each and all of the following:

Accounting Records and Inspection

. Maintain adequate financial and accounting books and records in accordance with sound business practices and, to the extent so required, GAAP consistently applied, and permit any representative of Agent (and after the occurrence and during the continuance of an Event of Default, a representative of each Lender) upon reasonable notice to Borrower, at any time during usual business hours, to inspect, audit, and examine such books and records and to make copies and take extracts therefrom, and to discuss its affairs, financing, and accounts with Borrower's or the applicable Subsidiary's officers and independent public accountants; provided , that Borrower shall only be obligated to reimburse Agent for the reasonable documented, out-of-pocket expenses for one such inspection, audit or examination performed by such representative per calendar year absent the occurrence and continuance of an Event of Default. Subject to Section 9.11 , Borrower shall furnish Agent with any information reasonably requested by Agent regarding PTP's or its Subsidiaries' business or finances promptly upon request.

Financial Statements and Other Information

.

Furnish to Agent:

Within 120 days after the end of each fiscal year of Administrative Entity, (i) an annual report containing consolidated statements of financial condition as of the end of such fiscal year, and consolidated statements of operations and cash flows for PTP (or, at the sole election of the Loan Parties, the Loan Parties and their Subsidiaries on a Stand Alone Basis) for the year then ended (" Annual Financial Statements "), prepared in accordance with accounting principles generally accepted in the United States, which shall be accompanied by a report and an unqualified opinion under generally accepted auditing standards of independent certified public accountants of recognized standing selected by Administrative Entity and reasonably satisfactory to Agent (which opinion shall be without (1) a "going concern" or like qualification or exception, (2) any qualification or exception as to the scope of such audit, or (3) any qualification which relates to the treatment or classification of any item and which, as a condition to the removal of such qualification, would require an adjustment to such item, the effect of which would be to cause any noncompliance with the provisions of Section 6.13); provided that , to the extent the Loan Parties have not elected to provide Annual Financial Statements of the Loan Parties and their Subsidiaries on a Stand Alone Basis, so long as PTP is subject to the reporting requirements of the Exchange Act, the filing of PTP's report on Form 10-K for such fiscal year shall satisfy the requirements of this clause (i), so long as such Form 10-K is concurrently furnished (which may be by a link to a website containing such document sent by automated electronic notification) to the Agent upon filing thereof, and (ii) a reconciliation (that may be part of the financial statements) prepared by a Financial Officer of PTP or its general partner (if applicable) and indicating the differences between (x) the statement of financial condition and statement of operations referred to in clause (i) above and (y) the unaudited statement of financial condition and statement of operations of the Loan Parties and their consolidated Subsidiaries on a Stand Alone Basis in respect of such year and, unless otherwise separately provided, as between such consolidated Subsidiaries, a reconciliation between the Restricted Subsidiaries of the Loan Parties and any Person that is not a Restricted Subsidiary of a Loan Party (such reconciliation, the " LP Annual Financial Statements ").

Within 60 days after the end of each of the first three quarters of each fiscal year of Administrative Entity (other than the first financial report provided under this clause (b), which shall be provided within 90 days of the IPO Event), (i) a financial report containing consolidated statements of financial condition, consolidated statements of operations and cash flows for PTP (or, at the sole election of the Loan Parties, the Loan Parties and their Subsidiaries on a Stand Alone Basis) for the period then ended (" Quarterly Financial Statements "); provided that , to the extent the Loan Parties have not elected to provide Quarterly Financial Statements of the Loan Parties and their Subsidiaries on a Stand Alone Basis, so long as PTP is subject to the reporting requirements of the Exchange Act, the filing of PTP's report on Form 10-Q for such fiscal quarter shall satisfy the requirements of this clause (i), so long as such Form 10-Q is concurrently furnished (which may be by a link to a website containing such document sent by automated electronic notification) to the Agent upon filing thereof, and, (ii) a reconciliation (that may be part of the financial statements) prepared by a Financial Officer of PTP or its general partner (if applicable) and indicating the differences between (x) the statement of financial condition and statement of operations referred to in clause (i) above and (y) the unaudited statement of financial condition and statement of operations of the Loan Parties and their consolidated Subsidiaries on a Stand Alone Basis in respect of such year and, unless otherwise separately provided, as between such consolidated Subsidiaries, a reconciliation between the Restricted Subsidiaries of the Loan Parties and any Person that is not a Restricted Subsidiary of a Loan Party (such reconciliation, the " LP Quarterly Financial Statements ").

Promptly upon the filing thereof, all material documents filed by PTP with the SEC (which may be by a link to a website containing such document sent by automated electronic notification);

Substantially concurrent with the delivery of the financial reports described above in clauses (a) and (b) of this Section 5.2 , a Compliance Certificate duly executed by the chief financial officer of Administrative Entity (1) stating that (i) he or she has individually reviewed the provisions of this Agreement and the other Loan Documents, (ii) the financial statements contained in such report have been prepared in accordance with GAAP (except in the case of reports required to be delivered pursuant to clause (b) above, for the lack of footnotes and being subject to year-end audit adjustments) and fairly present in all material respects the financial condition of PTP and its Subsidiaries, (iii) the LP Annual Financial Statements or LP Quarterly Financial Statements, as the case may be (or, solely to the extent delivered in any period, the annual financial statements or quarterly financial statements, as the case may be, of the Loan Parties and their Subsidiaries on a Stand Alone Basis) fairly present in all material respects the financial condition and statement of operations of the Loan Parties and their consolidated Restricted Subsidiaries on a Stand Alone Basis in respect of such period other than as provided in any reconciliation for that period, (iv) consistent with past practice, a review of the activities of PTP and its Subsidiaries during such year or quarterly period, as the case may be, has been made by or under such individual's supervision, with a view to determining whether the Loan Parties have fulfilled all of their respective obligations under this Agreement, and the other Loan Documents, and (v) no Loan Party is in default in the observance or performance of any of the provisions hereof or thereof, or if any Loan Party shall be so in default, specifying all such defaults and events of which such individual may have knowledge, (2) to the extent information is available in PTP's public disclosure and reasonably requested by Agent, attaching a schedule thereto that sets forth, on an Ares Fund by Ares Fund basis, the Assets Under Management for such Ares Fund, (3) attaching a schedule thereto that sets forth a listing of each Ares Fund that has closed during the period covered by this Compliance Certificate to the extent not previously disclosed, (4) solely to the extent that agreements executed in connection with the closing of any Ares Fund noted in the preceding clause (3) provide for the deferral of the payment of Management Fees, attaching a schedule thereto that sets forth on a one-time basis for any such Ares Fund, a listing of the portion of the Management Fees that have been so agreed to be so deferred and (5) attaching a schedule thereto that sets forth a calculation of Adjusted EBITDA for the most recent four quarter period, including reasonable detail of each component of Adjusted EBITDA as set forth in the definition thereof and reasonable detail of any portion of Management Fees or ARCC Part I Fees included in Adjusted EBITDA that is contributed by a Designated Subsidiary;

if not otherwise provided pursuant to clause (a) or (b), above, as applicable, then, substantially contemporaneously with each quarterly and year-end financial report required by clauses (a) and (b) of this Section 5.2 , a certificate of the chief financial officer of Administrative Entity separately identifying and describing all material Contingent Obligations of the Loan Parties;

notice, as soon as possible and, in any event, within 5 days after Borrower has knowledge, of: (i) the occurrence of any Event of Default or any Unmatured Event of Default; or (ii) any default or event of default as defined in any evidence of Debt of Borrower or under any material agreement, indenture, or other instrument under which such Debt has been issued, irrespective of whether such Debt is accelerated or such default waived. In any such event, Borrower also shall supply Agent with a statement from a Responsible Officer of Borrower, setting forth the details thereof and the action that Borrower proposes to take with respect thereto; provided , that Borrower shall not be required to provide any information that reasonably would be expected to result in a waiver of any attorney-client privilege of Borrower;

as soon as practicable, any written report pertaining to material items in respect of Borrower's internal control matters submitted to Borrower by its independent accountants in connection with each annual audit of the financial condition of Borrower;

as soon as practicable, written notice of any condition or event which has resulted or could reasonably be expected to result in: (i) a Material Adverse Effect on the Loan Parties, taken as a whole; or (ii) a breach of, or noncompliance with, any term, condition, or covenant contained in this Agreement or any other Loan Document, or (iii) a breach of, or noncompliance with, any term, condition, or covenant of any Contractual Obligation of any Loan Party that, in the case of clauses (ii) and (iii), would result in an Event of Default hereunder;

promptly upon becoming aware of any Person's seeking to obtain or threatening to seek to obtain a decree or order for relief with respect to any Loan Party in an involuntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect, a written notice thereof specifying what action Borrower is taking or proposes to take with respect thereto;

promptly, copies of all amendments to the Governing Documents of any Loan Party except for (i) immaterial amendments or waivers permitted by such Governing Documents not requiring the consent of the holders of the Securities in the applicable Loan Party, or (ii) amendments or waivers which would not, either individually or collectively, be materially adverse to the interests of the Lender Group;

prompt notice of:

all legal or arbitral proceedings, and all proceedings by or before any governmental or regulatory authority or agency, against or, to the knowledge of Borrower, threatened in writing against or affecting any Loan Party which, if adversely determined, could reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole, or on the timely payment of the principal of or interest on the Loans, or the enforceability of this Agreement or the other Loan Documents, or the rights and remedies of the Lender Group hereunder or thereunder, as applicable;

the acquisition by any Loan Party of any Margin Securities;

the issuance by any United States federal or state court or any United States federal or state regulatory authority of any injunction, order, or other restraint prohibiting, or having the effect of prohibiting or delaying, the making of the Loans or issuing Letters of Credit, or the institution of any litigation or similar proceeding seeking any such injunction, order, or other restraint, in each case, of which Borrower or any of its Subsidiaries has knowledge; and

reasonably promptly, such other information and data (other than monthly financial statements) with respect to the Loan Parties, as from time to time may be reasonably requested by Agent or any Lender (including any information reasonably requested by Agent or such Lender to enable Agent or such Lender to comply with any of the requirements under Regulations T, U or X of the Federal Reserve Board).

1. Existence

. Except as expressly permitted by Section 6.6 (which Section 6.6 , for purposes of this Section 5.3 , shall be interpreted to also apply to Designated Subsidiaries in each case where such Section 6.6 is applicable to Restricted Subsidiaries), preserve and keep in full force and effect, at all times, its existence (and with respect to the Borrower only, its legal existence in a state of the United States or the District of Columbia) unless (i) such Subsidiary does not have assets or other property with a fair market value as of such date that exceeds $500,000 in the aggregate or (ii) such Subsidiary is wound up or dissolved as a result of the Fund applicable to such Subsidiary being wound up or dissolved.

Payment of Taxes and Claims

. Pay all Taxes, assessments, and other governmental charges imposed upon it or any of its Assets or in respect of any of its businesses, incomes, or Assets before any penalty or interest accrues thereon, and all claims (including claims for labor, services, materials, and supplies) for sums which have become due and payable and which by law have or may become a Lien upon any of its Assets, prior to the time when any penalty or fine shall be incurred with respect thereto; provided , however , that, unless such Taxes, assessments, charges, or claims have become a federal tax Lien on any of its Assets, no such Tax, assessment, charge, or claim need be paid if the same is being contested, in good faith, by appropriate proceedings promptly instituted and diligently conducted and if an adequate reserve or other appropriate provision, if any, shall have been made there for as required in order to be in conformity with GAAP.

Compliance with Laws

. Comply with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except, in each case, where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. The Borrower will maintain in effect and enforce policies and procedures reasonably designed to ensure compliance in all material respects by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

Further Assurances

. At any time or from time to time upon the request of Agent, Borrower shall, and shall cause each other Loan Party to, execute and deliver such further documents and do such other acts and things as Agent may reasonably request in order to effect fully the purposes of this Agreement or the other Loan Documents and to provide for payment of the Loans made hereunder, with interest thereon, in accordance with the terms of this Agreement.

Additional Loan Parties

. (a) Within 20 days after a Material Operating Group Entity is formed or acquired or such person becomes a Material Operating Group Entity, as applicable, notify the Agent of such occurrence, and, within 30 days following such notification, cause such Material Operating Group Entity to (i) become a Loan Party by delivering to the Agent a Loan Party Joinder Agreement executed by such new Loan Party, (ii) deliver to the Agent a certificate of such Material Operating Group Entity, substantially in the form of the certificates delivered pursuant to Section 3.1(e) through (g) on the Restatement Effective Date, with appropriate insertions and attachments, and (iii) if reasonably requested by the Agent, deliver to the Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from Latham & Watkins LLP or other counsel, reasonably satisfactory to the Agent. Any document, agreement, or instrument executed or issued pursuant to this Section 5.7 shall be a Loan Document.

(b) Notwithstanding the foregoing, if such new Material Operating Group Entity is a Foreign Subsidiary of PTP (which, for purposes of this Section 5.7(b) shall include any Subsidiary all or substantially all of the assets of which are equity interests (or equity and debt interests) in a Foreign Subsidiary), then the Loan Parties shall not be required to comply with Section 5.7(a) if (i) compliance could reasonably result in any material adverse tax consequence to the Loan Parties or the IPO Entity, or (ii) could cause any Loan Party to have an inclusion in income under Section 956 of the Code.

Obligation to Upstream Management Fees and Incentive Fees

. (a) Borrower shall ensure that each Restricted Subsidiary (other than any Foreign Subsidiary) that is not a Loan Party promptly, and in any event within 2 Business Days of receipt thereof, distributes to a Loan Party all cash Management Fees received by such Restricted Subsidiary; and promptly, and in any event within 10 Business Days of receipt thereof, distributes to a Loan Party all cash Incentive Fees received by such Restricted Subsidiary.

(b) Borrower shall ensure that any amounts included in the calculation of Adjusted EBITDA and attributable to any Person that is not a Loan Party or Restricted Subsidiary of a Loan Party shall be distributed to a Loan Party.

Foreign Qualification

. Borrower shall duly qualify to conduct business in all jurisdictions where its failure to do so could reasonably be expected to have a Material Adverse Effect on Borrower, and each Guarantor shall duly qualify to conduct business in all jurisdictions where its failure to do so could reasonably be expected to have a Material Adverse Effect on the Loan Parties taken as a whole.

Designated Subsidiaries

. Administrative Entity may at any time after the Amendment No. 5 Effective Date designate any Subsidiary of a Loan Party as a Designated Subsidiary; provided that (a) immediately before and after such designation, no Event of Default or Unmatured Event of Default shall have occurred and be continuing, (b) immediately before and after such designation, the Borrower shall be in pro-forma compliance with Section 6.13, and (c) not later than 15 days after such designation, the Administrative Entity shall deliver to Agent and the Lenders an officer’s certificate designating such Subsidiary as either a CLO Management Subsidiary or an Unrestricted Subsidiary and confirming that such designation is in compliance with the terms of this Agreement.

Exhibit 10.15

Execution Version

NEGATIVE COVENANTS OF BORROWER

Borrower covenants and agrees that, so long as any portion of the Revolver Commitment under this Agreement shall be in effect and until payment, in full, of the Loans, with interest accrued and unpaid thereon, all other Obligations (including Obligations in respect of Letters of Credit, unless all such Letters of Credit are cancelled, expire or are cash collateralized in accordance with the provisions of Section 2.8(a) hereof) and all other amounts due hereunder, and except as set forth in the Disclosure Statement with specific reference to the Section of this Article VI affected thereby concerning matters which do not conform to the covenants of this Article VI , Borrower will not do, and will not permit any Restricted Subsidiary (and, solely with respect to Sections 6.1, 6.2, 6.11 and 6.12 , any Designated Subsidiary) to do any of the following:

Debt

. Create, incur, assume, permit, guarantee, or otherwise become or remain, directly or indirectly, liable with respect to any Debt, except:

Debt evidenced by this Agreement and the other Loan Documents;

Debt incurred by any Loan Party, provided that at the time of incurrence of such Debt and after giving pro-forma effect thereto, the Borrower would be in compliance with Section 6.13 and so long as no Unmatured Event of Default or Event of Default has occurred and is continuing at the time of such incurrence, provided further, that the Loan Parties shall cause any Debt incurred pursuant to this clause (b) and owed to any Subsidiary or any other Subordinated Creditor (as defined in the Intercompany Subordination Agreement) to be subordinated to the Loans on substantially the same terms as set forth in the Intercompany Subordination Agreement;

Contingent Obligations resulting from the endorsement of instruments for collection in the ordinary course of business;

Debt of (i) any Subsidiary to a Loan Party, (ii) any Loan Party to any other Loan Party, (iii) any Restricted Subsidiary of a Loan Party to any other Restricted Subsidiary of a Loan Party or (iv) any Subsidiary that is not a Restricted Subsidiary of a Loan Party to any other Subsidiary that is not a Loan Party;

Debt which may be deemed to exist pursuant to any performance bonds, surety bonds, statutory bonds, appeal bonds or similar obligations incurred in the ordinary course of business;

Debt in respect of netting services, overdraft protections and otherwise in connection with deposit accounts incurred in the ordinary course of business;

guaranties in the ordinary course of business of the obligations of suppliers, customers, franchisees and licensees of Loan Parties and their Subsidiaries;

Debt of a Loan Party or any of its Subsidiaries under any Hedging Agreement so long as such Hedging Agreements are used solely as a part of its normal business operations as a risk management strategy or hedge against changes resulting from market operations and not as a means to speculate for investment purposes on trends and shifts in financial or commodities markets;

Debt of any Loan Party or Subsidiary under Back-to-Back Lending Facilities, in an aggregate principal amount not to exceed $50,000,000;

Debt incurred in the ordinary course of business under incentive, non-compete, consulting, deferred compensation, or other similar arrangements incurred by any Loan Party or Subsidiary;

Debt incurred in the ordinary course of business with respect to the financing of insurance premiums;

Debt in respect of taxes, assessments or governmental charges to the extent that payment thereof shall not at the time be required to be made hereunder; and

other Debt of the Subsidiaries (other than any Loan Party) in an aggregate principal amount for all such Subsidiaries not to exceed $40,000,000 at any one time and so long as no Unmatured Event of Default or Event of Default has occurred and is continuing at the time of incurrence of any such other Debt;

Debt incurred by any CLO Management Subsidiary in connection with, or otherwise to finance (directly or indirectly) any Investment made to comply with any regulatory requirements (including, without limitation, risk retention requirements) provided that any such Debt is non-recourse to any Loan Party or any Restricted Subsidiary (provided , that an Unrestricted Subsidiary shall only be liable for such Debt to the extent such Debt is permitted pursuant to clause (p) of this Section 6.1);

guaranties by Loan Parties or other Subsidiaries in respect of real estate lease obligations incurred in the ordinary course of business;

Debt (not to exceed $300,000,000 at any one time) incurred by any Unrestricted Subsidiary provided that any such Debt is non-recourse to any Loan Party or any Restricted Subsidiary (provided , that a CLO Management Subsidiary shall only be liable for such Debt to the extent such Debt is permitted pursuant to clause (n) of this Section 6.1); and

Purchase Money Debt.

Liens

. Create, incur, assume, or permit to exist, directly or indirectly, any Lien on or with respect to any of its Assets, of any kind, whether now owned or hereafter acquired, or any income or profits therefrom, except Permitted Liens.

Investments

. Make or own, directly or indirectly, any Investment in any Person, except Permitted Investments; provided that no Investments shall be permitted to be incurred (other than any Permitted Investments in or to a Loan Party) so long as an Event of Default under Sections 7.1(a) , 7.1(b)(i) (solely with respect to a breach of Section 6.13), 7.1(d) , 7.1(e) , 7.1(f) , or 7.1(g) has occurred and is continuing.

[Reserved.]

Dividends

. If an Event of Default or Unmatured Event of Default has occurred and is continuing or would result from any of the following, or if any Distribution (as defined below) could reasonably be expected to result in a violation of any applicable provisions of Regulations T, U or X of the Federal Reserve Board, Borrower shall not make or declare, directly or indirectly, any dividend (in cash, return of capital, or any other form of Assets) on, or make any other payment or distribution on account of, or set aside Assets for a sinking or other similar fund for the purchase, redemption, or retirement of, or redeem, purchase, retire, or otherwise acquire any interest of any class of equity interests in Borrower, whether now or hereafter outstanding, or grant or issue any warrant, right, or option pertaining thereto, or other security convertible into any of the foregoing, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or Assets or in obligations (collectively, a " Distribution "), except for (w) irrespective of whether an Event of Default has occurred and is continuing or would result therefrom, any Distributions by any Loan Party or any Restricted Subsidiary to any other Loan Party, including any distribution required by Section 5.8 , irrespective of whether an Event of Default or an Unmatured Event of Default has occurred and is continuing or would result therefrom, to make any Permitted Tax Distribution.

Restriction on Fundamental Changes

. Change its name, change the nature of its business, enter into any merger, consolidation, reorganization, or recapitalization, or reclassify its partnership interests (whether limited or general) or membership interests, as applicable, or convey, sell, assign, lease, transfer, or otherwise dispose of, in one transaction or a series of transactions, all or any part of its business or Assets, whether now owned or hereafter acquired, or acquire any business or Assets from, or capital stock of, or be a party to any acquisition of, any other Person except for purchases of inventory and other property to be sold or used in the ordinary course of business.

Notwithstanding the foregoing provisions of this Section:

a Loan Party or any Restricted Subsidiary may sell or otherwise transfer Assets in accordance with the provisions of Section 6.7 hereof;

a Loan Party or any Restricted Subsidiary may make Investments in accordance with the provisions of Section 6.3 hereof;

a Loan Party or any Restricted Subsidiary may acquire any business or Assets (other than Investments, which for the avoidance of doubt, may be permitted under clause (b) above) from any Person to the extent that (i) the Distribution by Borrower of the cash, Cash Equivalents or other Assets used to fund such acquisition would not have violated this Agreement and (ii) such acquisition would not otherwise result in an Event of Default or an Unmatured Event of Default;

a Loan Party or any Restricted Subsidiary may change its name or corporate, partnership or limited liability structure so long as, in the case of any change by a Loan Party, the Administrative Entity provides written notice thereof to Agent on or before the date that is 45 days after the date when such name or structure change occurs;

any Person may merge, consolidate or reorganize with and into a Loan Party or any Restricted Subsidiary, provided that (i) if such transaction involves a Loan Party, a Loan Party is the sole surviving entity of such merger, consolidation or reorganization and on or prior to the consummation of such merger, consolidation or reorganization, such Loan Party expressly reaffirms its Obligations, if any, to the Lender Group under this Agreement and the other Loan Documents to which it is a party (provided, in the case of any Loan Party other than the Borrower, such reaffirmation may be provided within 5 Business Days of the consummation of such transaction), and (ii) the consummation of such merger, consolidation or reorganization does not result in a Change of Control Event; and

any Restricted Subsidiary may liquidate, wind-up or dissolve, in each case, in the ordinary course of business, consistent with past practice and to the extent not otherwise material to the Loan Parties and their Restricted Subsidiaries; provided that all of the proceeds of such liquidation, winding up or dissolution allocable to the direct or indirect ownership in such Subsidiary of Borrower or any other Loan Party are distributed to the direct or indirect holder of such Subsidiary's Securities (pro rata based on ownership at the time of such liquidation, wind-up or dissolution) or to a Loan Party or a wholly owned Subsidiary of a Loan Party.

Sale of Assets

. Sell, assign, transfer, convey, or otherwise dispose of all or any substantial part of its property or business or any material Assets (determined by reference to the combined financial condition of the Loan Parties and each Restricted Subsidiary) except that any Loan Party or Restricted Subsidiary may dispose of any property (including any investment) (a) in the ordinary course of business and consistent with past practices or so long as such disposition would not reasonably be expected to have a Material Adverse Effect, (b) so long as such disposition would not reasonably be expected to have a Material Adverse

Effect, to any Person in the ordinary course pursuant to the terms of a Benefit Plan and (c) so long as such disposition would not reasonably be expected to have a Material Adverse Effect, in connection with the transactions contemplated by the agreements set forth on the Disclosure Statement effected in connection with the IPO Event.

Transactions with Shareholders and Affiliates

. Enter into or permit to exist, directly or indirectly, any transaction (including the purchase, sale, lease, or exchange of any Asset or the rendering of any service) with any holder of 5% or more of any class of equity interests of Borrower or any of its Subsidiaries or Affiliates, or with any Affiliate of Borrower or of any such holder, in each case other than a Loan Party, on terms taken as a whole that are less favorable to Borrower than those terms that might be obtained at the time from Persons who are not such a holder, Subsidiary, or Affiliate, or if such transaction is not one in which terms could be obtained from such other Person, on terms that are not negotiated in good faith on an arm's length basis. Prior to Borrower or any of its Restricted Subsidiaries engaging in any such transaction described in this Section 6.8 , other than transactions in de minimis amounts, Borrower shall determine that such transaction has been negotiated in good faith and on an arm's length basis. In no event shall the foregoing restrictive covenant apply to (a) debt permitted under Section 6.1 , (b) Permitted Investments, (c) the execution, delivery and performance of the agreements evidencing the obligation to pay the Management Fees, (d) transactions contemplated by the agreements set forth on the Disclosure Statement effected in connection with the IPO Event, (e) transactions in the ordinary course pursuant to the terms of a Benefit Plan, (f) any investment in a Fund, (g) transactions involving the use, transfer, or other disposition of any Assets, to the extent that (i) the Distribution by Borrower of such Assets would not have violated this Agreement and (ii) such use, transfer, or other disposition would not otherwise result in an Event of Default or an Unmatured Event of Default or (h) transactions approved by the conflicts committee of the board of directors (or similar governing body) of the general partner of PTP (or of the PTP, as applicable) (which committee shall be comprised of at least one independent member of such board of directors (or similar governing body)).

Conduct of Business

. Engage in any business other than the businesses in which it is permitted to conduct under its Governing Documents (as in effect on the Restatement Effective Date), or any businesses or activities substantially similar or related thereto.

Amendments or Waivers of Certain Documents; Actions Requiring the Consent of Agent

. Without the prior written consent of Agent and the Required Lenders, which consent shall not unreasonably be withheld or delayed, agree to any amendment to or waiver of the terms or provisions of its Governing Documents except for: (i) immaterial amendments or waivers permitted by such Governing Documents not requiring the consent of the holders of the Securities in the applicable Loan Party or Restricted Subsidiary, or

(ii) amendments or waivers which would not, either individually or collectively, be materially adverse to the interests of the Lender Group.

Use of Proceeds

. Use the proceeds of the Loans made and Letters of Credit issued hereunder for any purpose inconsistent with Section 3.2(e) hereof. The Borrower will not request any Loan or Letter of Credit, and the Borrower shall not use, and shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Loan or Letter of Credit (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (B) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (C) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

Margin Regulation

. Use any portion of the proceeds of any of the Loans or Letters of Credit in any manner which could reasonably be expected to cause the Loans, the Letters of Credit, the application of such proceeds, or the transactions contemplated by this Agreement to violate Regulations T, U or X of the Federal Reserve Board, or any other regulation of such board, or to violate the Exchange Act, or to violate the Investment Company Act of 1940.

Financial Covenants

.

Management Fees . Permit Borrower's Subsidiaries or the Ares Funds during any twelve month period, commencing with the twelve month period ending March 31, 2014, to defer payment or fail to pay in cash as a result of a Triggering Event with respect to the applicable Ares Fund (or amend or otherwise modify any agreement evidencing any obligation to pay Management Fees as a result of a Triggering Event with respect to the applicable Ares Fund, to the extent that any such amendment or modification, together with any such deferral or failure to pay Management Fees in cash described above, would result in a failure to pay in cash) Management Fees equal to 10% or more of all of the Management Fees (taken as a whole) that, as required to be reported under GAAP, otherwise would have been due and payable to any Loan Party during such twelve month period.

Debt to Adjusted EBITDA . Permit the ratio of (i) the total outstanding amount of Debt of the Loan Parties and the Restricted Subsidiaries on a Stand Alone Basis as of the last day of any four fiscal quarter period of PTP, commencing with the four fiscal quarter period ending March 31, 2014, to (ii) the Adjusted EBITDA of the Loan Parties and the Restricted Subsidiaries on a Stand Alone Basis for such period, to be greater than 4.00:1.00.

Assets Under Management . Permit Assets Under Management at any time to be less than the sum of (i) $32,982,000,000 plus (ii) 75% of all New Management Fee Assets.

Restrictive Agreements

. The Borrower will not, and will not permit any Loan Party, or any Restricted Subsidiary, to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of any Restricted Subsidiary to pay in cash any Management Fees to the Loan Parties, the ability to make or repay loans or advances to the Borrower or any of its Restricted Subsidiaries or to guarantee Debt of any Loan Party or any of its Restricted Subsidiaries or the ability in any material respect to pay dividends or other distributions with respect to any of its Securities, provided that: the foregoing shall not apply to (x) restrictions existing on the Closing Date, (y) restrictions and conditions imposed by law, rule or regulation or by this Agreement or other Loan Documents and (z) customary restrictions and conditions contained in agreements relating to the sale of any property pending such sale, provided that such restrictions and conditions apply only to the property that is to be sold and such sale is permitted under this Agreement.

CLO Management Subsidiaries

. Permit any CLO Management Subsidiary to engage in any business other than the management, servicing, administration or similar function performed in connection with a Fund and the holding of Investments in a Fund or other CLO Management Subsidiary and activities reasonably related thereto (including, without limitation, the incurrence of Debt to finance such Investments).

EVENTS OF DEFAULT AND REMEDIES

Events of Default

. The occurrence of any one or more of the following events, acts, or occurrences shall constitute an event of default ("Event of Default") hereunder:

Failure to Make Payments When Due .

Borrower shall fail to pay any amount owing hereunder with respect to the principal of any of the Loans (or cash collateralize or reimburse obligations in respect of any Letter of Credit) when such amount is due, whether at stated maturity, by acceleration, or otherwise;

Borrower shall fail to pay, within 5 days of the date when due, any amount owing hereunder with respect to interest on any of the Loans or with respect to any other amounts (including fees, costs, or expenses), other than principal (or cash collateralization or reimbursement obligations in respect of Letters of Credit), payable in connection herewith;

Breach of Certain Covenants .

Borrower shall fail to perform or comply with any covenant, term, or condition contained in Article VI of this Agreement;

[Reserved];

Borrower shall fail to perform or comply with any covenant, term, or condition contained in Section 5.1 , 5.2(a) , 5.2(b) , 5.2(c) , 5.2(d) , 5.2(e) , 5.2(f) , 5.6 , or 5.9 and such failure shall not have been remedied or waived within 10 days after the occurrence thereof; or

any Loan Party shall fail to perform or comply with any other covenant, term, or condition contained in this Agreement or other Loan Documents to which it is a party and such failure shall not have been remedied or waived within 30 days after receipt of notice from Agent of the occurrence thereof; provided , however , that this clause (iv) shall not apply to: (1) the covenants, terms, or conditions referred to in subsections (a) and (c) of this Section 7.1 ; or (2) the covenants, terms, or conditions referred to in clause (i), (ii) or (iii) above of this subsection (b);

Breach of Representation or Warranty . Any financial statement, representation, warranty, or certification made or furnished by Borrower under this Agreement or in any statement, document, letter, or other writing or instrument furnished or delivered by or on behalf of PTP or any Loan Party to Agent or any Lender pursuant to or in connection with this Agreement or any other Loan Document to which it is a party, or as an inducement to the Lender Group to enter into this Agreement or any other Loan Document shall have been false, incorrect, or incomplete in any material respect when made, effective, or reaffirmed, as the case may be;

Involuntary Bankruptcy .

If an involuntary case seeking the liquidation or reorganization of PTP or any Loan Party or Significant Restricted Subsidiary under Chapter 7 or Chapter 11, respectively, of the Bankruptcy Code or any similar proceeding shall be commenced against PTP or any Loan Party or Significant Restricted Subsidiary under any other applicable law and any of the following events occur: (1) such Person consents to the institution of the involuntary case or similar proceeding; (2) the petition commencing the involuntary case or similar proceeding is not timely controverted; (3) the petition commencing the involuntary case or similar proceeding is not dismissed within 60 days of the date of the filing thereof; provided , however , that, during the pendency of such period, the Lender Group shall be relieved of its obligation to make additional Loans; (4) an interim trustee is appointed to take possession of all or a substantial portion of the Assets of any Loan Party or Significant Restricted Subsidiary; or (5) an order for relief shall have been issued or entered therein;

A decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, custodian, trustee, or other officer having similar powers over PTP, any Loan Party or Significant Restricted Subsidiary to take possession of all or a substantial portion of its Assets shall have been entered and, within 45 days from the date of entry, is not vacated, discharged, or bonded against, provided , however , that, during the pendency of such period, the Lender Group shall be relieved of their obligation to make additional Loans;

Voluntary Bankruptcy . PTP or any Loan Party shall institute a voluntary case seeking liquidation or reorganization under Chapter 7 or Chapter 11, respectively, of the Bankruptcy Code; PTP or any Loan Party or Significant Restricted Subsidiary shall file a petition, answer, or complaint or shall otherwise institute any similar proceeding under any other applicable law, or shall consent thereto; PTP or any Loan Party or Significant Restricted Subsidiary shall consent to the conversion of an involuntary case to a voluntary case; or PTP or any Loan Party or Significant Restricted Subsidiary shall consent or acquiesce to the appointment of a receiver, liquidator, sequestrator, custodian, trustee, or other officer with similar powers to take possession of all or a substantial portion of its Assets; PTP, any Loan Party or Significant Restricted Subsidiary shall generally fail to pay debts as such debts become due or shall admit in writing its inability to pay its debts generally; or any Loan Party or Significant Restricted Subsidiary shall make a general assignment for the benefit of creditors;

Dissolution . Any order, judgment, or decree shall be entered decreeing the dissolution of PTP or any Loan Party or Significant Restricted Subsidiary, and such order shall remain undischarged or unstayed for a period in excess of 45 days;

Change of Control . A Change of Control Event shall occur;

Judgments and Attachments . Any Loan Party or Significant Restricted Subsidiary shall suffer any money judgment, writ, or warrant of attachment, or similar process involving payment of money in an amount, net of any portion thereof that is covered by or recoverable by such Loan Party under applicable insurance policies (if any) in excess of $50,000,000 and shall not discharge, vacate, bond, or stay the same within a period of 30 days;

Guaranty . If the obligation of any Guarantor under the Guaranty is limited or terminated by operation of law or any Guarantor thereunder, except to the extent permitted by the terms of the Loan Documents;

Material Agreements . If there is a default in any material agreement to which Borrower or any Restricted Subsidiary is a party and such default (a) involves Debt in an aggregate principal amount equal to $50,000,000 or more and (b) either (i) occurs at the final maturity of the obligations thereunder, or (ii) results in a right by the other party thereto, irrespective of whether exercised, to accelerate the maturity of Borrower's or any Restricted Subsidiary's obligations thereunder or to terminate such agreement;

Intercompany Subordination Agreement . If any Loan Party makes any payment on account of Debt that has been contractually subordinated under the Intercompany Subordination Agreement, except to the extent such payment is permitted by the terms of the Intercompany Subordination Agreement;

[Reserved].

Loan Documents . Any provision of any Loan Document shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by any Loan Party, or a proceeding shall be commenced by any Loan Party, or by any Governmental Authority having jurisdiction over any Loan Party, seeking to establish the invalidity or unenforceability thereof, or any Loan Party shall deny that any Loan Party has any liability or obligation purported to be created under any Loan Document; and

Remedies

. Upon the occurrence of an Event of Default:

If such Event of Default arises under subsections (d) or (e) of Section 7.1 hereof, then the Revolver Commitments hereunder immediately shall terminate and all of the Obligations owing hereunder or under the other Loan Documents automatically shall become immediately due and payable (including without limitation the cash collateralization of the Letters of Credit in accordance with Section 2.8(a) hereof), without presentment, demand, protest, notice, or other requirements of any kind, all of which are hereby expressly waived by Borrower; and

In the case of any other Event of Default that has occurred and is continuing, the Agent at the request of the Required Lenders, by written notice to Borrower, may declare the Revolver Commitments hereunder terminated and all of the Obligations owing hereunder or under the Loan Documents to be, and the same immediately shall become due and payable (including without limitation the cash collateralization of the Letters of Credit in accordance with the provisions hereof), without presentment, demand, protest, further notice, or other requirements of any kind, all of which are hereby expressly waived by Borrower.

Upon acceleration, Agent (without notice to or demand upon Borrower, which are expressly waived by Borrower to the fullest extent permitted by law), shall be entitled to proceed to protect, exercise, and enforce the Lender Group's rights and remedies hereunder or under the other Loan Documents, or any other rights and remedies as are provided by law or equity. Agent may determine, in its sole discretion, the order and manner in which the Lender Group's rights and remedies are to be exercised. All payments received by Agent shall be applied in accordance with Section 2.3(d)(i) .

EXPENSES AND INDEMNITIES

Expenses

. Irrespective of whether any Loans are made hereunder, Borrower agrees to pay on demand any and all Lender Group Expenses.

Indemnity

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In addition to the payment of expenses pursuant to Section 8.1 hereof, and irrespective of whether the transactions contemplated hereby are consummated, Borrower agrees to indemnify, exonerate, defend, pay, and hold harmless the Agent-Related Persons, the Lender-Related Persons, and each Participant (collectively the " Indemnitees " and individually as " Indemnitee ") from and against any and all liabilities, obligations, losses, damages, penalties, actions, causes of action, judgments, suits, claims, costs, expenses, and disbursements of any kind or nature whatsoever (including, the reasonable fees and disbursements of counsel for such Indemnitees in connection with any investigation, administrative, or judicial proceeding, whether such Indemnitee shall be designated a party thereto), that may be imposed on, incurred by, or asserted against such Indemnitee, in any manner relating to or arising out of the Total Commitments, the use or intended use of the proceeds of the Loans, Letters of Credit or the consummation of the transactions contemplated by this Agreement, including any matter relating to or arising out of the filing or recordation of any of the Loan Documents which filing or recordation is done based upon information supplied by Borrower to Agent and its counsel (the " Indemnified Liabilities "); provided , however , that Borrower shall have no obligation hereunder to any Indemnitee to the extent that such Indemnified Liabilities are found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the fraud, gross negligence or willful misconduct of such Indemnitee. Each Indemnitee will promptly notify Borrower of each event of which it has knowledge which may give rise to a claim under the indemnification provisions of this Section 8.2 . To the extent that the undertaking to indemnify, pay, and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, Borrower shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law. The obligations of Borrower under this Section 8.2 shall survive the termination of this Agreement and the discharge of Borrower's other obligations hereunder.

Reimbursement by Lenders . To the extent that the Borrower fails to pay any amount required to be paid by it to the Agent or an Issuing Lender under Section 8.2(a) , each Lender severally agrees to pay to the Agent or such Issuing Lender, as the case may be, such Lender's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Agent or such Issuing Lender in its capacity as such.

Waiver of Consequential Damages, Etc. To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, any Loan or Letter of Credit or the use of the proceeds thereof. Without limiting the foregoing, no Indemnitee referred to in subsection (a) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

ASSIGNMENT AND PARTICIPATIONS

Assignments and Participations

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With the consent of Administrative Entity (which consent of Administrative Entity shall not be (x) required for an assignment to a Lender or an Affiliate of a Lender, or, if an Event of Default has occurred and is continuing, or (y) other than with respect to Direct Competitors, unreasonably withheld, conditioned or delayed), any Lender may assign and delegate to one or more assignees (each an " Assignee ") that are Eligible Transferees all, or any ratable part of all, of the Obligations, the Revolver Commitments, the Loans and the other rights and obligations of such Lender hereunder and under the other Loan Documents, in a minimum amount of $5,000,000 (or the remaining amount of any Lender's Revolver Commitment or amount of Loans, if less); provided , however , that Borrower and Agent may continue to deal solely and directly with such Lender in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses, and related information including any documentation required pursuant to Section 2.23(e) , (f) and (g) with respect to the Assignee, have been given to Administrative Entity and Agent by such Lender and the Assignee, (ii) such Lender and its Assignee have delivered to Administrative Entity and Agent an Assignment and Acceptance, fully executed and delivered by each party thereto, and (iii) the assigning Lender or Assignee has paid to Agent for Agent's separate account a processing fee in the amount of $3,500. Anything contained herein to the contrary notwithstanding, the payment of any fees shall not be required and the Assignee need not be an Eligible Transferee and the consent of Administrative Entity shall not be required if such assignment is in connection with any merger, consolidation, sale, transfer, or other disposition of all or any substantial portion of the business or loan portfolio of the assigning Lender.

From and after the date that Agent notifies the assigning Lender (with a copy to Borrower) that it has received an executed Assignment and Acceptance satisfying clause (a) above and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assigning Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (except with respect to Section 8.2 hereof) and be released from any future obligations under this Agreement (and in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement and the other Loan Documents, such Lender shall cease to be a party hereto and thereto), and such assignment shall effect a novation between Borrower and the Assignee; provided, however, that nothing contained herein shall release any assigning Lender from obligations that survive the termination of this Agreement, including such assigning Lender's obligations under Section 8.2(b) of this Agreement relating to any period prior to the effectiveness of such assignment.

Immediately upon Agent's receipt of the required processing fee payment and the fully executed Assignment and Acceptance satisfying clause (a) above, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Revolver Commitments or the Loans arising therefrom. The Revolver Commitment and the Loans allocated to each Assignee shall reduce such Revolver Commitments or Loans of the assigning Lender pro tanto.

Any Lender may at any time sell to one or more commercial banks, financial institutions, or other Persons not Affiliates of such Lender and who are not Direct Competitors (a " Participant ") participating interests in its Obligations, its Loans, the Revolver Commitment, and the other rights and interests of that Lender (the " Originating Lender ") hereunder and under the other Loan Documents; provided , however , that (i) the Originating Lender shall remain a "Lender" for all purposes of this Agreement and the other Loan Documents and the Participant receiving the participating interest in the Obligations, the Loans, the Revolver Commitments, and the other rights and interests of the Originating Lender hereunder shall not constitute a "Lender" hereunder or under the other Loan

Documents and the Originating Lender's obligations under this Agreement shall remain unchanged, (ii) the Originating Lender shall remain solely responsible for the performance of such obligations, (iii) Borrower, Agent, and the Lenders shall continue to deal solely and directly with the Originating Lender in connection with the Originating Lender's rights and obligations under this Agreement and the other Loan Documents, (iv) no Lender shall transfer or grant any participating interest under which the Participant has the right to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment to, or consent or waiver with respect to this Agreement or of any other Loan Document would (A) extend the final maturity date of the Obligations hereunder in which such Participant is participating, (B) reduce the interest rate applicable to the Obligations hereunder in which such Participant is participating, (C) release all or substantially all of the guaranties (except to the extent expressly provided herein or in any of the Loan Documents) supporting the Obligations hereunder in which such Participant is participating, (D) postpone the payment of, or reduce the amount of, the interest or fees payable to such Participant through such Lender, or (E) change the amount or due dates of scheduled principal repayments or prepayments or premiums, and (v) all amounts payable by Borrower hereunder shall be determined as if such Lender had not sold such participation, except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement. The rights of any Participant only shall be derivative through the Originating Lender with whom such Participant participates and no Participant shall have any rights under this Agreement or the other Loan Documents or any direct rights as to the other Lenders, Agent, Borrower, its Subsidiaries, or otherwise in respect of the Obligations. No Participant shall have the right to participate directly in the making of decisions by the Lenders among themselves. Each Originating Lender shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Revolver Commitments or other obligations under the Loan Documents (the " Participant Register "); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations.

In connection with any such assignment or participation or proposed assignment or participation, a Lender may, subject to the provisions of Section 11.11 , disclose all documents and information which it now or hereafter may have relating to Borrower and its Subsidiaries and their respective businesses.

Any other provision in this Agreement notwithstanding, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Bank or U.S. Treasury Regulation 31 CFR §203.24 or any other central bank having jurisdiction over such Lender, and such Federal Reserve Bank or other central bank may enforce such pledge or security interest in any manner permitted under applicable law.

Successors

. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided , however , that Borrower may not assign this Agreement or any rights or duties hereunder without the Lenders' prior written consent and any prohibited assignment shall be absolutely void *ab initio* . No consent to assignment by the Lenders shall release Borrower from its Obligations. A Lender may assign this Agreement and the other Loan Documents and its rights and duties hereunder and thereunder pursuant to Section 9.1 hereof and, except as expressly required pursuant to Section 9.1 hereof, no consent or approval by Borrower is required in connection with any such assignment.

AGENT; THE LENDER GROUP

Appointment and Authorization of Agent

. Each of the Lenders and each of the Issuing Lenders hereby irrevocably appoints Agent as its agent and authorizes the Agent to take such actions on its behalf and to exercise such powers as are delegated to the Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Agent hereunder.

The Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Agent shall not be subject to any fiduciary or other implied duties, regardless of whether an Unmatured Event of Default or Event of Default has occurred and is continuing, (b) the Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 11.2), and (c) except as expressly set forth herein, the Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the

Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Agent or any of its Affiliates in any capacity. The Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 11.2) or in the absence of its own gross negligence or willful misconduct. The Agent shall be deemed not to have knowledge of any Unmatured Event of Default or Event of Default unless and until written notice thereof is given to the Agent by the Borrower or a Lender, and the Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Agent.

The Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Agent. The Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Agent.

Subject to the appointment and acceptance of a successor Agent as provided in this paragraph, the Agent may resign at any time by notifying the Lenders, the Issuing Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower not to be unreasonably withheld or delayed (or if an Event of Default has occurred and is continuing, in consultation with the Borrower), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders and the Issuing Lenders, appoint a successor Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Agent's resignation hereunder, the provisions of this Article X and Sections 8.1 and 8.2 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and informa-tion as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

[Reserved] .

Reports and Information

. By becoming a party to this Agreement, each Lender:

is deemed to have requested that Agent furnish such Lender, promptly after it becomes available, a copy of each document delivered to Agent pursuant to Sections 5.2(a) , (b) , (c) , (d) and (f)(i) (each a " Report " and collectively, " Reports "), and Agent shall so furnish each Lender with such Reports,

expressly agrees and acknowledges that Agent does not (i) make any representation or warranty as to the accuracy of any Report, and (ii) shall not be liable for any information contained in any Report, and

agrees to keep all Reports and other material, non-public information regarding PTP and its Subsidiaries and their operations, assets, and existing and contemplated business plans in a confidential manner in accordance with Section 11.11 .

In addition to the foregoing: (x) any Lender may from time to time request of Agent in writing that Agent provide to such Lender a copy of any report or document provided by Borrower to Agent that has not been contemporaneously provided by Borrower to such Lender, and, upon receipt of such request, Agent promptly shall provide a copy of same to such Lender, and (y) to the extent that Agent is entitled, under any provision of the Loan Documents, to request additional reports or information from Borrower, any Lender may, from time to time, reasonably request Agent to exercise such right as specified in such Lender's notice to Agent, whereupon Agent promptly shall request of Borrower the additional reports or information reasonably specified by such Lender, and, upon receipt thereof from Borrower, Agent promptly shall provide a copy of same to such Lender.

Set Off; Sharing of Payments

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If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

If, at any time or times any Lender shall receive (i) by payment, foreclosure, setoff, or otherwise, any payments with respect to the Obligations, except for any such proceeds or payments received by such Lender from Agent pursuant to the terms of this Agreement, or (ii) payments from Agent in excess of such Lender's ratable portion of all such distributions by Agent, such Lender promptly shall (1) turn the same over to Agent, in kind, and with such endorsements as may be required to negotiate the same to Agent, or in immediately available funds, as applicable, for the account of all of the Lenders and for application to the Obligations in accordance with the applicable provisions of this Agreement, or (2) purchase, without recourse or warranty, an undivided interest and participation in the Obligations owed to the other Lenders so that such excess payment received shall be applied ratably as among the Lenders in accordance with their Pro Rata Shares; provided, however, that to the extent that such excess payment received by the purchasing party is thereafter recovered from it, those purchases of participations shall be rescinded in whole or in part, as applicable, and the applicable portion of the purchase price paid therefor shall be returned to such purchasing party, but without interest except to the extent that such purchasing party is required to pay interest in connection with the recovery of the excess payment.

Payments by Agent to the Lenders

. All payments to be made by Agent to the Lenders shall be made by bank wire transfer of immediately available funds pursuant to such wire transfer instructions as each party may designate for itself by written notice to Agent. Concurrently with each such payment, Agent shall identify whether such payment (or any portion thereof) represents principal, premium, fees, or interest of the Obligations.

Several Obligations; No Liability

. Notwithstanding that certain of the Loan Documents now or hereafter may have been or will be executed only by or in favor of Agent in its capacity as such, and not by or in favor of the Lenders, any and all obligations on the part of Agent (if any) to make any credit available hereunder shall constitute the several (and not joint) obligations of the respective Lenders on a ratable basis, according to their respective Revolver Commitments, to make an amount of such credit not to exceed, in principal amount, at any one time outstanding, the amount of their respective Revolver Commitments. Nothing contained herein shall confer upon any Lender any interest in, or subject any Lender to any liability for, or in respect of, the business, assets, profits, losses, or liabilities of any other Lender. Each Lender shall be solely responsible for notifying its Participants of any matters relating to the Loan Documents to the extent any such notice may be required, and no Lender shall have any obligation, duty, or liability to any Participant of any other Lender. No member of the Lender Group shall have any liability for the acts of any other member of the Lender Group. No Lender shall be responsible to Borrower or any other Person for any failure by any other Lender to fulfill its obligations to make credit available hereunder, nor to advance for it or on its behalf in connection with its Revolver Commitment, nor to take any other action on its behalf hereunder or in connection with the financing contemplated herein.

MISCELLANEOUS

No Waivers, Remedies

. No failure or delay on the part of Agent or any Lender, or the holder of any interest in this Agreement in exercising any right, power, privilege, or remedy under this Agreement or any of the other Loan Documents shall impair or operate as a waiver thereof, nor shall any single or partial exercise of any such right, power, privilege, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, privilege, or remedy. The waiver of any such right, power, privilege, or remedy with respect to particular facts and circumstances shall not be deemed to be a waiver with respect to other facts and circumstances. The remedies provided for under this Agreement or the other Loan Documents are cumulative and are not exclusive of any remedies that may be available to Agent or any Lender, or the holder of any interest in this Agreement at law, in equity, or otherwise.

Waivers and Amendments

. No amendment or waiver of any provision of this Agreement (other than an amendment pursuant to and in accordance with Section 2.18) or any other Loan Document (other than any Fee Letter), and no consent with respect to any departure by Borrower therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or by Agent at the written request of the Required Lenders) and Borrower and then any such waiver or consent shall be effective, but only in the specific instance and for the specific purpose for which given; provided , however , that no such waiver, amendment, or consent shall:

increase or extend any Revolver Commitment of any Lender without the written consent of such Lender; provided that no amendment, modification or waiver of any condition precedent, covenant, Event of Default or Unmatured Event of Default shall constitute an increase in any Revolver Commitment of any Lender,

postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees, or other amounts due hereunder or under any other Loan Document without the written consent of each Lender adversely affected thereby,

reduce the principal of, or the rate of interest on, any loan or other extension of credit hereunder, or reduce any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender adversely affected thereby,

change “Pro Rata Share” or Sections 2.3 or 10.4 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender adversely affected thereby,

amend or modify this Section or any provision of this Agreement providing for consent or other action by all Lenders without the written consent of each Lender,

change the definition of “Required Lenders” without the written consent of each Lender, or

other than as permitted by Article XII , release any Loan Party from any obligation for the payment of money without the written consent of each Lender, and

provided further , however , that no amendment, waiver or consent shall, unless in writing and signed by Agent or the respective Issuing Lender, as applicable, affect the rights or duties of Agent or such Issuing Lender, as applicable, under this Agreement or any other Loan Document. The foregoing notwithstanding, any amendment, modification, waiver, consent, termination, or release of, or with respect to, any provision of this Agreement or any other Loan Document that relates only to the relationship of the Lender Group among themselves, and that does not affect the rights or obligations of Borrower, shall not require consent by or the agreement of Borrower. The foregoing to the contrary notwithstanding, an amendment to this Agreement to effectuate an Approved Increase shall only require the consent of Borrower, the Agent and the new Lender and shall not require the consent of any other Lender.

If any action to be taken by the Lender Group or Agent hereunder requires the greater than majority or unanimous consent, authorization, or agreement of all Lenders, and a Lender (" Holdout Lender ") fails to give its consent, authorization, or agreement or if any Lender is a Defaulting Lender hereunder, then Agent or, if no Event of Default has occurred and is continuing, Borrower, upon at least 5 Business Days' prior irrevocable notice to the Holdout Lender or Defaulting Lender, may permanently replace the Holdout Lender or Defaulting Lender with one or more substitute Lenders (each, a " Replacement Lender "), and the Holdout Lender or Defaulting Lender shall have no right to refuse to be replaced hereunder. Such notice to replace the Holdout Lender or Defaulting Lender shall specify an effective date for such replacement, which date shall not be later than 15 Business Days after the date such notice is given. Prior to the effective date of such replacement, the Holdout Lender or Defaulting Lender, as applicable, and each Replacement Lender shall execute and deliver an Assignment and Acceptance, subject only to the Holdout Lender or such Defaulting Lender being repaid its share of the outstanding Obligations (including an assumption of its Pro Rata Share of any participation in any Letter of Credit Usage) without any premium or penalty of any kind whatsoever. If the Holdout Lender or Defaulting Lender shall refuse or fail to execute and deliver any such Assignment and Acceptance prior to the effective date of such replacement, the Holdout Lender or Defaulting Lender shall be deemed to have executed and delivered such Assignment and Acceptance. The replacement of any Holdout Lender or Defaulting Lender shall be made in accordance with the terms of Section 9.1 . Until such time as the Replacement Lenders shall have acquired all of the Obligations, the Revolver Commitments, and the other rights and obligations of the Holdout Lender or Defaulting Lender hereunder and under the other Loan Documents, the Holdout Lender or Defaulting Lender, as applicable, shall remain obligated to make its Pro Rata Share of Loans and to purchase a participation in each Letter of Credit, in accordance with this Agreement.

Notices

. Except as otherwise provided herein, all notices, demands, instructions, requests, and other communications required or permitted to be given to, or made upon, any party hereto shall be in writing and (except for financial statements and certain other documents to be furnished pursuant hereto, which may be sent as provided herein) shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by courier, electronic mail (at such e-mail addresses as a party may designate in accordance herewith), or facsimile and shall be deemed to be given for purposes of this Agreement on the day that such writing is received by the Person to whom it is to be sent pursuant to the provisions of this Agreement. Unless otherwise specified in a notice sent or delivered in accordance with the foregoing provisions of this Section 11.3 , notices, demands, requests, instructions, and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses (or to their respective facsimile numbers) indicated on Exhibit 11.3 attached hereto.

Successors and Assigns

. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns; provided , however , that

Borrower may not assign or transfer any interest or rights hereunder without the prior written consent of Agent and the Lenders and any such prohibited assignment or transfer shall be absolutely void.

Headings

. Article and Section headings used in this Agreement and the table of contents preceding this Agreement are for convenience of reference only and shall neither constitute a part of this Agreement for any other purpose nor affect the construction of this Agreement.

Execution in Counterparts; Effectiveness

. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The foregoing shall apply to each other Loan Document *mutatis mutandis* .

GOVERNING LAW

. EXCEPT AS SPECIFICALLY SET FORTH IN ANY OTHER LOAN DOCUMENT: (A) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE DEEMED TO HAVE BEEN MADE IN THE STATE OF NEW YORK; AND (B) THE VALIDITY OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AND THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

JURISDICTION AND VENUE

. TO THE EXTENT THEY MAY LEGALLY DO SO, THE PARTIES HERETO AGREE THAT ALL ACTIONS, SUITS, OR PROCEEDINGS ARISING BETWEEN ANY MEMBER OF THE LENDER GROUP OR BORROWER IN CONNECTION WITH THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE OR FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK. BORROWER AND EACH MEMBER OF THE LENDER GROUP, TO THE EXTENT THEY MAY LEGALLY DO SO, HEREBY WAIVE ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS

OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS <u>SECTION 11.8</u> AND STIPULATE THAT THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF NEW YORK SHALL HAVE <u>IN PERSONAM</u> JURISDICTION AND VENUE OVER SUCH PERSON FOR THE PURPOSE OF LITIGATING ANY SUCH DISPUTE, CONTROVERSY, OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS. TO THE EXTENT PERMITTED BY LAW, SERVICE OF PROCESS SUFFICIENT FOR PERSONAL JURISDICTION IN ANY ACTION AGAINST BORROWER MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ITS ADDRESS INDICATED ON <u>EXHIBIT 11.3</u> ATTACHED HERETO.

<u>WAIVER OF TRIAL BY JURY</u>

. BORROWER AND EACH MEMBER OF THE LENDER GROUP, TO THE EXTENT THEY MAY LEGALLY DO SO, HEREBY EXPRESSLY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, CAUSE OF ACTION, OR PROCEEDING ARISING UNDER OR WITH RESPECT TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS, OR IN ANY WAY CONNECTED WITH, OR RELATED TO, OR INCIDENTAL TO, THE DEALINGS OF THE PARTIES HERETO WITH RESPECT TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND IRRESPECTIVE OF WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE. TO THE EXTENT THEY MAY LEGALLY DO SO, BORROWER AND EACH MEMBER OF THE LENDER GROUP HEREBY AGREE THAT ANY SUCH CLAIM, DEMAND, ACTION, CAUSE OF ACTION, OR PROCEEDING SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS <u>SECTION 11.9</u> WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE OTHER PARTY OR PARTIES HERETO TO WAIVER OF ITS OR THEIR RIGHT TO TRIAL BY JURY.

<u>Independence of Covenants</u>

. All covenants under this Agreement and other Loan Documents shall be given independent effect so that if a particular action or condition is not permitted by any one covenant, the fact that it would be permitted by another covenant, shall not avoid the occurrence of an Event of Default or Unmatured Event of Default if such action is taken or condition exists.

<u>Confidentiality</u>

. Agent and Lenders each individually (and not jointly or jointly and severally) agree that material, non-public information regarding PTP, the Loan Parties and their respective Subsidiaries, their operations, assets, and existing and contemplated business plans shall be treated by Agent and the Lenders in a confidential manner, used only in connection with this Agreement and in compliance with applicable laws, including United States federal or state securities laws, and shall not be disclosed by Agent and the Lenders to Persons who are not parties to this Agreement, except: (a) to attorneys for and other advisors, accountants, auditors, and consultants to any member of the Lender Group, (b) to Subsidiaries and Affiliates of any member of the Lender Group and any of their respective officers, directors, employees, counsel, accountants, auditors and other representatives; provided that in the case of clause (a) and (b), such Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential, (c) as may be required by statute, decision, or judicial or administrative order, rule, regulation or any Governmental Authority (other than any state, federal or foreign authority or examiner regulating banks or banking); provided that , to the extent it may lawfully do so, Agent or any such Lender shall notify Borrower of such requirement prior to any disclosure of such information to a party that Agent or such Lender reasonably believes may not keep such information confidential and shall reasonably cooperate with Borrower in any lawful effort by Borrower to prevent or limit such disclosure or otherwise protect the confidentiality of such information, (d) as may be agreed to in advance by Borrower or its Subsidiaries or as requested or required by any Governmental Authority (other than any state, federal or foreign authority or examiner regulating banks or banking) pursuant to any subpoena or other legal process; provided that , to the extent it may lawfully do so, Agent or any such Lender shall notify Borrower of such requirement prior to any disclosure of such information to a party that Agent or such Lender reasonably believes may not keep such information confidential and shall reasonably cooperate with Borrower in any lawful effort by Borrower to prevent or limit such disclosure or otherwise protect the confidentiality of such information, (e) as requested or required by any state, federal or foreign regulatory or other authority or examiner regulating banks or banking, (f) as to any such information that is or becomes generally available to the public (other than as a result of prohibited disclosure by Agent or the Lenders), (g) in connection with any assignment, prospective assignment, sale, prospective sale, participation or prospective participations, or pledge or prospective pledge of any Lender's interest under this Agreement, provided that any such assignee, prospective assignee, purchaser, prospective purchaser, participant, prospective participant, pledgee, or prospective pledgee is reasonably expected to be a permitted assignee, purchaser, participant, or pledgee hereof shall have agreed in writing to receive such information hereunder subject to the terms of this Section, and (i) in connection with any litigation or other adversary proceeding involving parties hereto which such litigation or adversary proceeding involves claims related to the rights or duties of such parties under this Agreement or the other Loan Documents. The provisions of this Section 11.11 shall survive for 2 years after the payment in full of the Obligations. Notwithstanding the foregoing, confidential information shall not include, as to any Agent or Lender, information independently developed by such Person or its Affiliates, information that was in such Person's and/or Affiliates possession prior to the Restatement Effective Date and was not known by such Person or its Affiliates to be from a confidential source and information that is provided to such Person and/or its Affiliates after the Restatement Effective Date from any source without a known obligation of confidentiality to the Borrower and its Affiliates.

Complete Agreement

. This Agreement, together with the exhibits hereto, the Disclosure Statement, and the other Loan Documents is intended by the parties hereto as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement with respect to the subject matter of this Agreement and shall not be contradicted or qualified by any other agreement, oral or written, before the Restatement Effective Date.

USA Patriot Act Notice

. Each Lender hereby notifies the Loan Parties that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56) signed into law October 26, 2001 (the " USA Patriot Act "), it may be required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of such Loan Party and other information that will allow such Lender to identify such Loan Party in accordance with the USA Patriot Act.

No Novation

. Borrower, the Lenders and Agent hereby agree that this Agreement amends and restates the Existing Credit Agreement in its entirety (and therefore, this Agreement shall not constitute or effectuate a novation thereof) and all Loans, Letters of Credit and other Obligations of the Loan Parties outstanding under the Existing Credit Agreement as of the Closing Date shall be deemed to be Loans, Letters of Credit and Obligations outstanding under this Agreement (and the Borrower and each Guarantor hereby assume all such Obligations) without further action by any Person except as otherwise expressly modified by this Agreement and the other Loan Documents. The rights and duties of Ares and AIH (as predecessors in interest to the Borrower), Agent, and the Lenders with respect to all matters relating to time periods prior to the Restatement Effective Date shall be determined in accordance with the terms of the Existing Credit Agreement, and the rights and duties of Borrower, Agent, and the Lenders with respect to all matters relating to time periods from and after the Restatement Effective Date shall be determined in accordance with the provisions of this Agreement and the Loan Documents. This Agreement does not extinguish the obligations for the payment of money outstanding under the Existing Credit Agreement (including without limitation, Section 12.8) or discharge or release the obligations or the liens or priority of any mortgage, pledge, security agreement or any other security therefor. Nothing herein contained shall be construed as a substitution or novation of the obligations outstanding under the Existing Credit Agreement or instruments securing the same, which shall remain in full force and effect, except as modified hereby (including without limitation, Section 12.8) or by instruments executed concurrently herewith. Except as expressly set forth herein (including without limitation, Section 12.8), nothing in this Agreement shall be construed as a release or other discharge of any Loan Party from any of their obligations or liabilities under the Existing Credit Agreement.

Judgment Currency

. This is an international loan transaction in which the specification of Dollars or any Alternative Currency, as the case may be (the " Specified Currency "), and payment in New York City or the country of the Specified Currency, as the case may be (the " Specified Place "), is of the essence, and the Specified Currency shall be the currency of account in all events relating to Loans or reimbursement obligations denominated in the Specified Currency. The payment obligations of the Borrower under this Agreement shall not be discharged or satisfied by an amount paid in another currency or in another place, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on conversion to the Specified Currency and transfer to the Specified Place under normal banking procedures does not yield the amount of the Specified Currency at the Specified Place due hereunder. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in the Specified Currency into another currency (the " Second Currency "), the rate of exchange that shall be applied shall be the rate at which in accordance with normal banking procedures the Agent could purchase the Specified Currency with the Second Currency on the Business Day next preceding the day on which such judgment is rendered. The obligation of the Borrower in respect of any such sum due from it to the Agent or any Lender hereunder or under any other Loan Document (in this Section called an " Entitled Person ") shall, notwithstanding the rate of exchange actually applied in rendering such judgment, be discharged only to the extent that on the Business Day following receipt by such Entitled Person of any sum adjudged to be due hereunder in the Second Currency such Entitled Person may in accordance with normal banking procedures purchase and transfer to the Specified Place the Specified Currency with the amount of the Second Currency so adjudged to be due; and the Borrower hereby, as a separate obligation and notwithstanding any such judgment, agrees to indemnify such Entitled Person against, and to pay such Entitled Person on demand, in the Specified Currency, the amount (if any) by which the sum originally due to such Entitled Person in the Specified Currency hereunder exceeds the amount of the Specified Currency so purchased and transferred.

Ares Holdings as Agent for Each Entity Comprising the Borrower

. Each of the entities comprising the Borrower hereby appoints Ares Holdings as its agent, attorney-in-fact and representative (the " Administrative Entity ") for the purpose of (i) making any borrowing requests or other requests required under this Agreement, (ii) the giving and receipt of notices by and to Borrower under this Agreement, (iii) the delivery of all documents, reports, financial statements and written materials required to be delivered by Borrower under this Agreement, and (iv) all other purposes incidental to any of the foregoing. Each entity comprising Borrower agrees that any action taken by Ares Holdings as Administrative Entity shall be binding upon such entity to the same extent as if directly taken by such entity. Each of the entities comprising the Borrower hereby jointly and severally hereby indemnifies the Indemnitees and holds the Indemnitees harmless as set forth in Section 8.2 hereof.

No Fiduciary Duties

. Each of the Loan Parties hereby acknowledges and agrees that the Agent, the Issuing Lenders and the Lenders may have economic interests that conflict with those of the Loan Parties and/or their Affiliates and nothing in this Agreement or any other Loan Document creates any fiduciary relationship with or duty to such Loan Party arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Agent, the Issuing Lenders and Lenders, on the one hand, and such Loan Party, on the other hand, in connection herewith or therewith is solely that of creditor and debtor.

Acknowledgment and Consent to Bail-In of EEA Financial Institutions

. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;
(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

GUARANTY

Guaranty of Payment

. Subject to Section 12.7 , each Guarantor hereby unconditionally and irrevocably and jointly and severally guarantees to the Agent, for the benefit of the Lenders and the Issuing Lenders, the prompt payment of the Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise). Any payment hereunder shall be made at such place and in the same currency as such relevant Obligation is payable. This guaranty is a guaranty of payment and not solely of collection and is a continuing guaranty and shall apply to all Obligations whenever arising.

Obligations Unconditional .

(a) Guarantee Absolute . The obligations of the Guarantors under this Article XII are primary, absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of the Loan Parties under this Agreement, the other Loan Documents or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor other than payment in full of the Obligations, it being the intent of this Section 12.2 that the obligations of the Guarantors hereunder shall be absolute and unconditional, joint and several, under any and all circumstances and shall apply to any and all Obligations now existing or in the future arising. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not affect the enforceability of this Agreement in accordance with its terms or affect, limit, reduce, discharge, terminate, alter or impair the liability of the Guarantors hereunder, which shall remain absolute and unconditional as described above:

at any time or from time to time, without notice to the Guarantors, the time for any performance of or compliance with any of the Obligations shall be extended, or such performance or compliance shall be waived;

any of the acts mentioned in any of the provisions of this Agreement, the other Loan Documents or any other agreement or instrument referred to herein or therein shall be done or omitted;

the maturity of any of the Obligations shall be accelerated, or any of the Obligations shall be modified, supplemented or amended in any respect, or any right under this Agreement, the other Loan Documents or any other agreement or instrument referred to herein or therein shall be waived or any other guarantee of any of the Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with;

any application by any member of the Lender Group of the proceeds of any other guaranty of or insurance for any of the Obligations to the payment of any of the Obligations;

any settlement, compromise, release, liquidation or enforcement by any member of the Lender Group of any of the Obligations;

the giving by any member of the Lender Group of any consent to the merger or consolidation of, the sale of substantial assets by, or other restructuring or termination of the corporate existence of, the Borrower or any other Person, or to any disposition of any Securities by the Borrower or any other Person;

the exercise by any member of the Lender Group of any of their rights, remedies, powers and privileges under the Loan Documents;

the entering into any other transaction or business dealings with the Borrower or any other Person; or

any combination of the foregoing.

Waiver of Defenses. The enforceability of this Agreement and the liability of the Guarantors and the rights, remedies, powers and privileges of the Lender Group under this Agreement shall not be affected, limited, reduced, discharged or terminated, and each Guarantor hereby expressly waives to the fullest extent permitted by law any defense now or in the future arising, by reason of:

the illegality, invalidity or unenforceability of any of the Obligations, any Loan Document or any other agreement or instrument whatsoever relating to any of the Obligations;

any disability or other defense with respect to any of the Obligations, including the effect of any statute of limitations, that may bar the enforcement thereof or the obligations of such Guarantor relating thereto;

the illegality, invalidity or unenforceability of any other guaranty of or insurance for any of the Obligations;

the cessation, for any cause whatsoever, of the liability of the Borrower or any Guarantor with respect to any of the Obligations;

any failure of any member of the Lender Group to marshal assets, to pursue or exhaust any right, remedy, power or privilege it may have against the Borrowers or any other Person, or to take any action whatsoever to mitigate or reduce the liability of any Guarantor under this Agreement, the Lender Group being under no obligation to take any such action notwithstanding the fact that any of the Obligations may be due and payable and that the Borrower may be in default of its obligations under any Loan Document;

any counterclaim, set-off or other claim which the Borrower or any Guarantor has or claims with respect to any of the Obligations;

any failure of any member of the Lender Group to file or enforce a claim in any bankruptcy, insolvency, reorganization or other proceeding with respect to any Person;

any bankruptcy, insolvency, reorganization, winding-up or adjustment of debts, or appointment of a custodian, liquidator or the like of it, or similar proceedings commenced by or against the Borrower or any other Person, including any discharge of, or bar, stay or injunction against collecting, any of the Obligations (or any interest on any of the Obligations) in or as a result of any such proceeding;

any action taken by any member of the Lender Group that is authorized by this Section or otherwise in this Agreement or by any other provision of any Loan Document, or any omission to take any such action; or

any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor other than payment in full of the Obligations.

Waiver of Counterclaim . The Guarantors expressly waive, to the fullest extent permitted by law, for the benefit of the Lender Group, any right of set-off and counterclaim with respect to payment of its obligations hereunder, and all diligence, presentment, demand of payment or performance, protest, notice of nonpayment or nonperformance, notice of protest, notice of dishonor and all other notices or demands whatsoever, and any requirement that any member of the Lender Group exhaust any right, power, privilege or remedy or proceed against the Loan Parties under this Agreement, the other Loan Documents or any other agreement or instrument referred to herein or therein, or against any other Person under any other guarantee of, or security for, any of the Obligations, and all notices of acceptance of this Agreement or of the existence, creation, incurrence or assumption of new or additional Obligations. Each Guarantor further expressly waives the benefit of any and all statutes of limitation, to the fullest extent permitted by applicable law.

Other Waivers . Each Guarantor expressly waives, to the fullest extent permitted by law, for the benefit of the Lender Group, any right to which it may be entitled:

that the assets of the Borrower first be used, depleted and/or applied in satisfaction of the Obligations prior to any amounts being claimed from or paid by such Guarantor;

to require that the Borrower be sued and all claims against the Borrower be completed prior to an action or proceeding being initiated against such Guarantor; and

to have its obligations hereunder be divided among the Guarantors, such that each Guarantor's obligation would be less than the full amount claimed.

Modifications

. Each Guarantor agrees to the fullest extent permitted by applicable law that (a) all or any part of any security which hereafter may be held for the Obligations, if any, may be exchanged, compromised or surrendered from time to time; (b) the Agent, the Lenders and the Issuing Lenders shall not have any obligation to protect, perfect, secure or insure any such security interests or Liens which hereafter may be held, if any, for the Obligations or the properties subject thereto; (c) the time or place of payment of the Obligations may be changed or extended, in whole or in part, to a time certain or otherwise, and may be renewed or accelerated, in whole or in part; (d) the Borrower and any other party liable for payment under this Agreement may be granted indulgences generally; (e) any of the provisions of this Agreement or any other Loan Document may be modified, amended or waived; (f) any party liable for the payment thereof may be granted indulgences or be released; and (g) any deposit balance for the credit of the Borrower or any other party liable for the payment of the Obligations or liable upon any security therefor may be released, in whole or in part, at, before or after the stated, extended or accelerated maturity of the Obligations, all without notice to or further assent by such Guarantor, which shall remain bound thereon, notwithstanding any such exchange, compromise, surrender, extension, renewal, acceleration, modification, indulgence or release.

Waiver of Rights

. Each Guarantor expressly waives to the fullest extent permitted by applicable law: (a) notice of acceptance of this guaranty by the Agent, the Lenders and the Issuing Lenders, and of all Loans made to the Borrower by the Lenders and Letters of Credit issued by the Issuing Lenders; (b) presentment and demand for payment or performance of any of the Obligations; (c) protest and notice of dishonor or of default (except as specifically required in this Agreement) with respect to the Obligations or with respect to any security therefor; (d) notice of the Lenders obtaining, amending, substituting for, releasing, waiving or modifying any Lien, if any, hereafter securing the Obligations, or the Agent's, Lenders' or Issuing Lenders' subordinating, compromising, discharging or releasing such Liens, if any; (e) all other notices to which the Borrower might otherwise be entitled in connection with the guaranty evidenced by this Section 12.4 ; and (f) demand for payment under this guaranty.

Reinstatement

. The obligations of each Guarantor under this Section 12.5 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any person in respect of the Obligations is rescinded or must be otherwise restored by any holder of any of the Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each Guarantor agrees that it will indemnify the Lenders on demand for all reasonable costs and expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by the Agent, Lenders and Issuing Lenders in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

Remedies

. Each Guarantor agrees to the fullest extent permitted by applicable law that, as between such Guarantor, on the one hand, and the Agent, Lenders and Issuing Lenders, on the other hand, the Obligations may be declared to be forthwith due and payable as provided in Article VII (and shall be deemed to have become automatically due and payable in the circumstances provided in Article VII) notwithstanding any stay, injunction or other prohibition preventing such declaration (or preventing such Obligations from becoming automatically due and payable) as against any other person and that, in the event of such declaration (or such Obligations being deemed to have become automatically due and payable), such Obligations (whether or not due and payable by any other person) shall forthwith become due and payable by such Guarantor.

Limitation of Guaranty

. Notwithstanding any provision to the contrary contained herein, to the extent the obligations of a Guarantor shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers) then the obligations of such Guarantor hereunder shall be limited to the maximum amount that is permissible under applicable law (whether federal or state and including, without limitation, the Bankruptcy Code). Notwithstanding anything herein or in any other Loan Document, the partners of the Loan Parties shall not be personally liable under this Agreement or any other Loan Document.

Termination of Existing Guarantee

. As and effective from the Restatement Effective Date, the obligations of the Guarantors (as defined in the Existing Credit Agreement) under the Guaranty (as defined in the Existing Credit Agreement) shall be terminated and of no further force or effect.

[Signature pages to follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first set forth above.

I. **ARES HOLDINGS L.P.,**
II. a Delaware limited partnership, as Borrower
III. By:___________________________________
IV. Name:
V. Title:
VI. **ARES INVESTMENTS L.P.,**
VII. a Delaware limited partnership, as Borrower
VIII. By:___________________________________
IX. Name:
X. Title:
XI.

XII. **JPMORGAN CHASE BANK, N.A.** ,
XIII. as Agent and Lender
XIV. By:___________________________________
XV. Name:
XVI. Title:

XVII. **BANK OF AMERICA, N.A.** , as a Lender
XVIII. By:___________________________________
XIX. Name:

Title:

XX. **Bank Name: ____________________________** as a Lender
XXI. By:___________________________________
XXII. Name:
XXIII. Title:

ARES MANAGEMENT LLC,

as a Guarantor

By:
Name:
Title:

ARES INVESTMENTS HOLDINGS LLC,

as a Guarantor

By:
Name:
Title:

ARES FINANCE CO. LLC,

as a Guarantor

By:
Name:
Title:

ARES OFFSHORE HOLDINGS L.P. ,

as a Guarantor

By: Ares Offshore Holdings, Ltd., its General Partner

By:
Name:
Title:

ANNEX II

SCHEDULE C-1

Revolver Commitments

Lender	Allocation
J.P Morgan Chase Bank, N.A.	$110,000,000.00
Bank of America, N.A.	$110,000,000.00
Wells Fargo Bank, National Association	$110,000,000.00
Morgan Stanley Bank, N.A.	$85,000,000.00
SunTrust Bank	$85,000,000.00
MUFG Union Bank, N.A.	$75,000,000.00
Citibank, N.A.	$60,000,000.00
Royal Bank of Canada	$60,000,000.00
State Street Bank and Trust Company	$60,000,000.00
Sumitomo Mitsui Banking Corporation	$60,000,000.00
U.S. Bank National Association	$60,000,000.00
Barclays Bank PLC	$50,000,000.00
Goldman Sachs Bank USA	$50,000,000.00
Credit Suisse AG, Cayman Islands Branch	$25,000,000.00
The Bank of New York Mellon	$25,000,000.00
City National Bank	$15,000,000.00
Total	$1,040,000,000.00

RESTRICTED UNIT AGREEMENT
PURSUANT TO THE
ARES MANAGEMENT, L.P. 2014 EQUITY INCENTIVE PLAN

THIS AGREEMENT (the " **Agreement** ") is entered into as of (the " **Grant Date** "), by and between Ares Management, L.P., a Delaware limited partnership (the " **Partnership** "), and (the " **Participant** "). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Ares Management, L.P. 2014 Equity Incentive Plan (the " **Plan** ").

W I T N E S S E T H :

WHEREAS , the Partnership has adopted the Plan, a copy of which has been delivered to the Participant, which is administered by the Committee; and

WHEREAS , pursuant to Article VII of the Plan, the Committee may grant Other Unit-Based Awards to Service Providers under the Plan, including restricted units that represent the right to receive Common Units; and

WHEREAS , the Participant is a Service Provider under the Plan.

NOW, THEREFORE , the parties agree as follows:

1. **Grant of Restricted Units .**

Subject to the restrictions and other conditions set forth herein, the Committee hereby grants to the Participant the right to receive Common Units (the " **Restricted Units** ") as of the Grant Date. Each Restricted Unit is an Other Unit-Based Award under the Plan that represents an unfunded, unsecured right of the Participant to receive a Common Unit on the Vesting Date[s] specified in Section 2 herein.

2. **Vesting and Payment .**

(a) [The Restricted Units shall vest in three equal installments on the third, fourth and fifth anniversary of the Grant Date (the " **Vesting Dates** "); provided that the Participant has not had a Termination prior to such Vesting Date. There shall be no proportionate or partial vesting in the periods prior to each Vesting Date. **Except as expressly provided in Section 2(b) , all unvested Restricted Units will be forfeited without compensation on the Participant's Termination for any reason.]**

[All of the Restricted Units shall vest on the fifth anniversary of the Grant Date (the " **Vesting Date** "); provided that the Participant has not had a Termination for any reason prior to such Vesting Date. There shall be no proportionate or partial vesting prior to the Vesting Date. **All unvested Restricted Units will be forfeited without compensation on the Participant's Termination for any reason.**]

(b) [If the Participant incurs a Termination by the Partnership without Cause or on account of Participant's death or Disability, (i) after the first anniversary of the Grant Date and prior to the second anniversary of the Grant Date, 11% of the Restricted Units shall vest on such Termination, which shall be a Vesting Date, or (ii) on or after the second anniversary of the Grant Date and prior to the third anniversary of the Grant Date, 22% of the Restricted Units shall vest on such Termination, which shall be a Vesting Date.]

(c) The Partnership shall, on or within 30 days following [a] [the] Vesting Date, deliver (or cause to be delivered) to the Participant one Common Unit with respect to each vested Restricted Unit, as settlement of such Restricted Unit and each such Restricted Unit shall thereafter be cancelled.

3. **Distribution Equivalents .**

The Participant will have the right to receive an amount in cash equal to (i) the amount of any distribution paid with respect to a Common Unit multiplied by (ii) the number of Restricted Units held by the Participant, at the time such distributions are paid to holders of Common Units.

4. **Restricted Unit Transfer Restrictions .**

Unless otherwise determined by the Committee, Restricted Units may not be Transferred by the Participant other than by will or by the laws of descent and distribution, and any other purported Transfer shall be void and unenforceable against the Partnership and its Affiliates.

5. **Post-Settlement Restrictions .**

(a) Post-Settlement Transfer Restrictions . Until the [fifth] anniversary of the Grant Date, without the prior written consent of the Committee (which may be withheld or conditioned in its sole discretion), other than as provided in Section 12 , the Participant may not Transfer any Common Units delivered upon settlement of Restricted Units (the " **Transfer Restricted Common Units** "). The Committee may require Transfer Restricted Common Units to be held in an account subject to terms and conditions to be determined by the Committee.

(b) Waiver; Additional Conditions . The Committee may, from time to time, waive the provisions of this Section 5 , subject to the imposition of any conditions or further requirements, as determined by the Committee in its sole discretion. Without limiting the foregoing, (i) the Committee may impose equivalent transfer restrictions on the Participant's other equity, if any, held directly or indirectly in the Ares Operating Group Entities, Ares Owners Holdings L.P., the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent that the provisions of this Section 5 are waived, and (ii) the Participant hereby consents in advance to the imposition of such equivalent transfer restrictions for purposes of the governing documents of Participant's other equity, if any, held directly or indirectly in the Ares Operating Group Entities, the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent the Committee waives the application of this Section 5 to the Transfer Restricted Common Units.

6. **Change in Control** .

The Restricted Units shall not accelerate and vest upon a Change in Control unless otherwise determined by the Committee. The provisions in the Plan regarding Change in Control shall apply to the Restricted Units.

7. **Rights as a Unitholder .**

The Participant shall have no rights as a unitholder with respect to Common Units covered by Restricted Units.

8. **Provisions of Plan Control .**

This Agreement is subject to all the terms, conditions and provisions of the Plan, including the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. If and to the extent that this Agreement conflicts or is inconsistent with the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly.

9. **Notices .**

All notices, demands or requests made pursuant to, under or by virtue of this Agreement must be in writing and sent to the party to which the notice, demand or request is being made:

(a) unless otherwise specified by the Partnership in a notice delivered by the Partnership in accordance with this section, any notice required to be delivered to the Partnership shall be properly delivered if delivered to:

Ares Management, L.P.
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067
Attention: General Counsel

(b) If to the Participant, to the address on file with the Partnership.

Any notice, demand or request, if made in accordance with this section shall be deemed to have been duly given: (i) when delivered in person; (ii) three days after being sent by United States mail, or foreign equivalent; or (iii) on the first business day following the date of deposit if delivered by a nationally or internationally recognized overnight delivery service.

10. **No Right to Employment or Services .**

This Agreement is not an agreement of employment or services. None of this Agreement, the Plan or the grant of Restricted Units shall (a) obligate the Partnership to employ or otherwise retain, or to continue to employ or otherwise retain, the Participant for any specific time period or (b) modify or limit in any respect the Partnership's or its Affiliates' right to terminate or modify the Participant's employment, services or compensation.

11. **Transfer of Personal Data .**

The Participant authorizes, agrees and unambiguously consents to the transmission by the Partnership of any personal data information related to the Restricted Units awarded under this Agreement, for legitimate business purposes (including, without limitation, the administration of the Plan) out of the Participant's home country and including to countries with less data protection than the data protection provided by the Participant's home country. This authorization/consent is freely given by the Participant.

12. **Withholding .**

The Participant hereby authorizes the Partnership, or an Affiliate thereof to which the Participant provides services, to satisfy applicable income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items (" **Tax-Related Items** "), with respect to any issuance, transfer, or other taxable event under this Agreement or the Plan by withholding from the proceeds of the sale of Common Units acquired upon settlement of the Restricted Units either through a voluntary sale authorized by the Partnership or through a mandatory sale arranged by the Partnership or any of its Affiliates on the Participant's behalf pursuant to this authorization, to cover the amount of such Tax Related Items. The Participant further authorizes the

Partnership or the applicable Affiliate to take such action as may be necessary in the opinion of the Partnership or the applicable Affiliate to withhold from any compensation or other amount owing to the Participant to satisfy all obligations for the payment of such Tax-Related Items. Without limiting the foregoing, the Committee may, from time to time, permit the Participant to make arrangements prior to any Vesting Date described herein to pay the applicable Tax-Related Items in a manner prescribed by the Committee prior to the applicable Vesting Date, including by cash, check, bank draft or money order. The Participant acknowledges that, regardless of any action taken by the Partnership or any of its Affiliates the ultimate liability for all Tax-Related Items, is and remains the Participant's responsibility and may exceed the amount actually withheld by the Partnership or any of its Affiliates. The Partnership may refuse to issue or deliver the Common Units or the proceeds from the sale of Common Units, if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

13. **Dispute Resolution**.

(a) The exclusive remedy for determining any and all disputes, claims or causes of action, in law or equity, arising out of or related to this Agreement, or the breach, termination, enforcement, interpretation or validity thereof will, to the fullest extent permitted by law, be determined by: (i) the dispute resolution provisions in any employment, consulting agreement, or similar agreement, between the Partnership or any of its Affiliates and the Participant or, if none, (ii) the Partnership's or any of its Affiliates' mandatory dispute resolution procedures as may be in effect from time to time with respect to matters arising out of or relating to Participant's employment or service with the Partnership or, if none, (iii) by final, binding and confidential arbitration in **[Los Angeles, California][New York, New York]** , before one arbitrator, conducted by the Judicial Arbitration and Mediation Services/Endispute, Inc. ("**JAMS**"), or its successor. If disputes are settled pursuant to prong (iii) of this Section 13, Section 13(b) shall apply.

(b) Disputes shall be resolved in accordance with the Federal Arbitration Act, 9 U.S.C. §§1–16, and JAMS' Employment Arbitration Rules and Procedures then in effect. The arbitrator will have the same, but no greater, remedial authority than would a court of law and shall issue a written decision including the arbitrator's essential findings and conclusions and a statement of the award. Judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. This agreement to resolve any disputes by binding arbitration extends to claims by or against the Partnership or any of its Affiliates or any of their respective past or present representatives and applies to claims arising out of federal, state and local laws, including claims of alleged discrimination on any basis, as well as to claims arising under the common law. The prevailing party in any such arbitration proceeding, as determined by the arbitrator, or in any proceeding to enforce the arbitration award, will be entitled, to the extent permitted by law, to reimbursement from the other party for all of the prevailing party's costs (including the arbitrator's compensation), expenses and attorneys' fees. If no party entirely prevails in such arbitration or proceeding, the arbitrator or court shall apportion an award of such fees based on the relative success of each party. In the event of a conflict between this provision and any provision in the applicable rules of JAMS, the provisions of this Agreement will prevail.

14. **Section 409A**.

The Restricted Units are intended to be exempt from the applicable requirements of Section 409A and shall be limited, construed and interpreted in accordance with such intent; provided, that the Partnership does not guarantee to the Participant any particular tax treatment of the Restricted Units. In no event whatsoever shall the Partnership be liable for any additional tax, interest or penalties that may be imposed on the Participant by Section 409A or any damages for failing to comply with Section 409A.

15. **Miscellaneous**.

(a) Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(b) Governing Law. All matters arising out of or relating to this Agreement and the transactions contemplated hereby, including its validity, interpretation, construction, performance and enforcement, shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws.

(c) Counterparts; Electronic Acceptance. This Agreement may be executed in one or more counterparts (including by facsimile or electronic transmission), all of which taken together shall constitute one contract. Alternatively, this Agreement may be granted to and accepted by the Participant electronically.

(d) Interpretation. Unless a clear contrary intention appears: (i) the defined terms herein shall apply equally to both the singular and plural forms of such terms; (ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by the Plan or the Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually; (iii) any pronoun shall include the corresponding masculine, feminine and neuter forms; (iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof; (v) reference to any law, rule or regulation means such law, rule or regulation as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any law, rule or regulation means that provision of such law, rule or regulation from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision; (vi) “hereunder,” “hereof,” “hereto,” and words of similar import shall be deemed references to the Agreement as a whole and not to any particular article, section or other provision hereof; (vii) numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of the Agreement; (viii) “including” (and with correlative meaning “include”) means including without limiting the generality of any description preceding such term; (ix) “or” is used in the inclusive sense of “and/or”; (x) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto; and (xi) reference to dollars or $ shall be deemed to refer to U.S. dollars.

(e) No Strict Construction . This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

(f) Waiver . The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

16. **Language .**

If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

17. **NO ACQUIRED RIGHTS .**

THE PARTICIPANT ACKNOWLEDGES AND AGREES THAT: (A) THE PARTNERSHIP MAY TERMINATE OR AMEND THE PLAN AT ANY TIME; (B) THE AWARD OF RESTRICTED UNITS MADE UNDER THIS AGREEMENT IS COMPLETELY INDEPENDENT OF ANY OTHER AWARD OR GRANT AND IS MADE AT THE SOLE DISCRETION OF THE PARTNERSHIP; (C) NO PAST GRANTS OR AWARDS (INCLUDING THE RESTRICTED UNITS AWARDED HEREUNDER) GIVE THE PARTICIPANT ANY RIGHT TO ANY GRANTS OR AWARDS IN THE FUTURE WHATSOEVER; (D) THE PLAN AND THE AGREEMENT DO NOT FORM PART OF THE TERMS OF THE PARTICIPANT’S EMPLOYMENT; AND (E) BY PARTICIPATING IN THE PLAN AND RECEIVING AN AWARD PURSUANT TO THIS AGREEMENT, THE PARTICIPANT WAIVES ALL RIGHTS TO COMPENSATION FOR ANY LOSS IN RELATION TO THE PLAN OR THIS AGREEMENT, INCLUDING ANY LOSS OF RIGHTS IN ANY CIRCUMSTANCES INCLUDING TERMINATION OF EMPLOYMENT.

[Remainder of This Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

ARES MANAGEMENT, L.P.

By: ___
Name:
Title:

Participant Name:

ARES CAPITAL MANAGEMENT LLC

MEMORANDUM

[Date]

TO: [NAME]

FROM: Ares Capital Management LLC

RE: ***Incentive Fee Compensation Related to Ares Capital Corporation***

This Memorandum (the " **Memorandum** ") confirms the agreement between you and Ares Capital Management LLC (the " **Company** "), effective as of [DATE] (the " **Effective Date** "), with respect to your profit participation interest related to the "incentive fees" earned by the Company, attributable to the investment activities of Ares Capital Corporation (" **ARCC** ") as set forth below, until the earlier of (x) the termination of the Management Agreement or (y) such date you are no longer employed by the Company (such period, the " **Term** "). Unless otherwise specified herein, capitalized terms not otherwise defined in the body of this Memorandum are defined in **Exhibit A** .

This Memorandum should be retained in your files for future reference.

1. Incentive Fees. The Company serves as the day-to-day investment manager to ARCC. ARCC is as a closed-end publicly traded specialty finance company that has elected to be treated as a business development company.

   a. Incentive Fee Allocation . Subject to Section 1.c. below, during the Term, on each Incentive Payment Date, the Company shall pay you your Allocation Percentage of any Incentive Fees and Capital Gains Fees (each as defined in the Management Agreement) the Company is entitled to receive during the applicable calendar quarter or year (the " **Part I and Part II Incentive Compensation** ").

   b. Deferred Incentive Fees. Subject to Section 1.c. below, during the Term, on each Incentive Payment Date, the Company shall pay you your Allocation Percentage of any Deferred Incentive Fees (as defined in the Management Agreement) the Company is entitled to receive during the applicable calendar quarter or year, based on your Allocation Percentage when such Deferred Incentive Fees were deferred (the " **Deferred Incentive Compensation** " and, together with the Part I and II Incentive Compensation, the " **Incentive Compensation** ").

   c. Limitations on Incentive Compensation. Notwithstanding anything to the contrary in this Memorandum, the Company will only be obligated to pay you Incentive Compensation to the extent the Company actually receives the related Incentive Compensation from ARCC during the applicable quarter or year.

2. Consequences of Termination of Employment. For the avoidance of doubt, this confirms that your employment with the Company is " *at will* ." As such, your employment may be terminated by you or the Company at any time, for any reason or no reason, with or without Cause. Moreover, this Memorandum is not intended as and is not a guaranty of future employment. In the event of your termination of employment, the following consequences will apply with respect to your Allocation Percentage of Incentive Compensation.

   a. Resignation for Good Reason. Subject to Section 2.f., if you terminate your employment with the Company **for**

Good Reason , on each of the first [twelve][twenty] Incentive Payment Dates following such termination (collectively, the " **Severance Period** "), the Company shall pay you the following amounts (and you shall be entitled to no further compensation or benefits):

i. On the first through the fourth Incentive Payment Dates following such Termination, an amount equal to (x) [100]% of the Part I and Part II Incentive Compensation that you would otherwise have been entitled to receive pursuant to Section 1 as if you were still employed by the Company on such date based on your Termination Allocation Percentage, plus (y) [100]% of the Deferred Incentive Compensation that you would otherwise have been entitled to receive pursuant to Section 1 as if you were still employed by the Company on such date based on your Allocation Percentage when the associated Deferred Incentive Fees were deferred;

ii. On the fifth through the eighth Incentive Payment Dates following such Termination, an amount equal to (x) [66.7]% of the Part I and Part II Incentive Compensation that you would otherwise have been entitled to receive pursuant to Section 1 as if you were still employed by the Company on such date based on your Termination Allocation Percentage, plus (y) [100]% of the Deferred Incentive Compensation that you would otherwise have been entitled to receive pursuant to Section 1 as if you were still employed by the Company on such date based on your Allocation Percentage when the associated Deferred Incentive Fees were deferred (and if deferred during the Severance Period, determined in accordance with the applicable percentage payable under this Section 2.a. with respect to the Part I and Part II Incentive Compensation in effect at the time such Deferred Incentive Fees were deferred); and

iii. On (x) the ninth through the twelfth Incentive Payment Dates following such Termination, an amount equal to [33.3]% of the Part I and Part II Incentive Compensation that you would otherwise have been entitled to receive pursuant to Section 1 as if you were still employed by the Company on such date based on your Termination Allocation Percentage and (y) the ninth through the [twelfth][twentieth] Incentive Payment Dates following such Termination, an amount equal to [100]% of the Deferred Incentive Compensation that is deferred during the Term or on or prior to the third anniversary of your Termination that you would otherwise have been entitled to receive pursuant to Section 1 as if you were still employed by the Company on such date based on your Allocation Percentage when the associated Deferred Incentive Fees were deferred (and if deferred during the Severance Period, determined in accordance with the applicable percentage payable under this Section 2.a. with respect to the Part I and Part II Incentive Compensation in effect at the time such Deferred Incentive Fees were deferred).

b. Resignation without Good Reason. Subject to Section 2.f., if you terminate your employment with the Company **without Good Reason** (i.e., your voluntary resignation), then subject to your continued compliance with your obligations set forth herein, the Company shall pay you (x) on each of the first [twelve] Incentive Payment Dates following such termination, an amount equal to the Part I and Part II Incentive Compensation that you would otherwise have been entitled to receive pursuant to Section 1 as if you were still employed by the Company on such date, based on your Termination Allocation Percentage, and (y) on each of the first [twelve][twenty] Incentive Payment Dates following such Termination, [100]% of the Deferred Incentive Compensation that is deferred during the Term or on or prior to the third anniversary of your Termination that you would otherwise have been entitled to receive pursuant to Section 1 as if you were still employed by the Company on such date based on your Allocation Percentage when the associated Deferred Incentive Fees were deferred (and if deferred during the Severance Period, determined in accordance with the applicable percentage payable under Section 2.a. with respect to the Part I and Part II Incentive Compensation at the time such Deferred Incentive Fees were deferred). You shall be entitled to no further compensation or benefits.

c. Termination for Cause. If the Company terminates your employment **for Cause** you will not be entitled to any further compensation under this Memorandum.

d. Termination without Cause. Subject to Section 2.f., if the Company terminates your employment **without Cause** , the Company shall pay you the amount you would have received if you had terminated your employment for Good Reason pursuant to Section 2.a. (and you shall be entitled to no further compensation or benefits).

e. Death or Disability. Subject to Section 2.f., if your employment is terminated due to your **death or Disability** , the Company shall pay you (x) on each of the first [twelve] Incentive Payment Dates following such termination, [50]% of the Part I and Part II Incentive Compensation that you would otherwise have been entitled to receive pursuant to Section 1 as if you were still employed by the Company on such date, based on your Termination Allocation Percentage, and (y) on each of the first [twelve][twenty] Incentive Payment Dates following such termination, [100]% of the Deferred Incentive Compensation that is deferred during the Term or on or prior to the third anniversary of your Termination that you would otherwise have been entitled to receive pursuant to Section 1 as if you were still employed by the Company on such date based on your Allocation Percentage when the associated Deferred Incentive Fees were deferred (and if deferred during the Severance Period, determined in accordance with the percentage payable under this Section 2.e. with respect to the Part I and Part II Incentive Compensation at the time such Deferred Incentive Fees were deferred). You shall be entitled to no further compensation or benefits.

f. Notwithstanding anything to the contrary in this Memorandum,

i. you will not be entitled to any benefits payable pursuant to this Section 2 (" **Severance Benefits** ") unless you have, or your estate or representative has, (a) executed and delivered, and not revoked, the Company's (and any Related Entity's) then standard release of all claims against the Company and all Related Entities so that the standard release becomes effective and irrevocable on or before the sixtieth (60 th) day after the date of Termination, and (b) if requested by the Company, resigned from your then current positions, offices and appointments with the Company and all Related Entities; for Severance Benefits that would otherwise be paid to you prior to the sixtieth (60 th) day after the date of your Termination, such Severance Benefits shall be made on the sixtieth (60 th) day after the date of your termination if the standard release requirement is then satisfied by you,

ii. you will not be entitled to any Severance Benefits if you have breached any material provision of this Memorandum or your Fair Competition Agreement, whether during the Term or the Severance Period, commencing as of the date of such breach,

iii. the Company shall not be deemed "entitled to receive" any Incentive Compensation that is waived under the Management Agreement and you shall not be entitled to receive any Incentive Compensation that is waived whether or not earned during the Term and/or the Severance Period as applicable, and

iv. in the event that you terminate your employment in accordance with Section 2.b. (resignation without Good Reason) hereof and the employment with the Company or a Related Entity of two or more of the persons previously disclosed to you is or has been also terminated in accordance with Sections 2.b. (resignation without Good Reason) or 2.c. (termination for Cause) of their respective employment agreements during the Term or the Severance Period (the final date as of which your and two or more of such other persons' employment is terminated being referred to as the " **Reduction Date** "), then commencing as of the Reduction Date, you shall only be entitled to receive, and the Company shall only be obligated to pay to you, [50]% of the amount of any Incentive Compensation thereafter payable to you (such reduced amount determined after application of any additional reductions otherwise provided herein).

3. General Provisions.

a. This Memorandum is not transferable by you and constitutes an unsecured obligation of the Company. The Company may assign this Memorandum to any affiliate.

b. This Memorandum, together with any corresponding annual award documentation respecting your Allocation Percentage, constitutes our entire agreement with respect to your profits participation interest attributable to the investment activities of ARCC from and after the Effective Date and sets forth the entire agreement as of the Effective Date with respect to your right to receive severance or similar payments (other than entitlements to vested amounts under a tax-qualified plan or rights to continued health coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended), and all prior and contemporaneous agreements and representations whether oral or written, shall be superseded as of the Effective Date. This Memorandum does not cover the terms of any relationship, if any, you may have with any Related Entity. For the avoidance of doubt, nothing in this Memorandum affects or amends in any way the interests you have in any Related Entity other than the Company.

c. This Memorandum may not be amended, waived or discharged except by a writing signed by both parties.

d. Any payments provided for hereunder will be paid net of any applicable withholdings. Except in the case of amounts that constitute "deferred compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), the Company's obligation to make any payments provided for in this Memorandum will be subject to set-off, counterclaim or recoupment of any amounts owed by you to the Company or any of its Related Entities.

e. By accepting this Memorandum you agree to the terms and conditions set forth in this Memorandum.

f. This Memorandum shall be governed by and construed in accordance with New York law irrespective of conflicts of laws principles that would require the application of the laws of another jurisdiction.

g. The provisions of this Memorandum will be deemed severable and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the other provisions hereof.

h. In the event there is any dispute between us that we are unable to resolve ourselves, we both agree that the exclusive remedy for determining any and all disputes, claims or causes of action, in law or equity, arising from or relating to this Memorandum will be, to the fullest extent permitted by law, by final, binding and confidential arbitration in New York, New York conducted by the Judicial Arbitration and Mediation Services/Endispute, Inc. ("**JAMS**"), or its successor, pursuant to its then applicable rules. The arbitrator will have the same, but no greater, remedial authority than would a court of law and shall issue a written decision including the arbitrator's essential findings and conclusions and a statement of the award. This agreement to resolve any disputes by binding arbitration extends to claims against the Company or any of its Related Entities or any of their respective past or present stockholders, members, partners, principals, directors, officers, managers, employees, agents, representatives or service providers and applies to claims arising out of federal, state and local laws, including claims of alleged discrimination on any basis, as well as to claims arising under the common law. Nothing in this Memorandum is intended to prevent the Company or any of its Related Entities from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. The prevailing party in any such arbitration proceeding, as determined by the arbitrator, or in any enforcement or other court proceedings, will be entitled to the extent permitted by law, to reimbursement from the other party for all of the prevailing party's costs (including but not limited to the arbitrator's compensation), expenses and attorneys' fees. In the event of a conflict between this provision and any provision in the applicable rules of JAMS, the provisions of this Memorandum will prevail.

i. Upon the receipt of reasonable notice from the Company (including outside counsel), you agree that while employed by the Company and thereafter, you will respond and provide information with regard to matters in which you have knowledge as a result of your performing services for the Company or any of its Related Entities, and will provide reasonable assistance to the Company and its Related Entities and their respective representatives in defense of any claims that may be made against them, and will assist them in the prosecution of any claims that they may make, to the extent that such claims may relate to the period of your employment with the Company. You also agree to promptly inform the Company (to the extent you are legally permitted to do so) if you are asked to assist in any investigation of the Company or any of its Related Entities or any of their respective stockholders, members, partners, principals, directors, officers, managers, employees, agents, representatives or service providers (or their actions), regardless of whether a lawsuit or other proceeding has then been filed against them with respect to such investigation, and shall not so assist unless legally required. In addition, you shall not make or induce other persons or entities to make any negative statements as to the Company or any of its Related Entities or their respective past or present stockholders, members, partners, principals, directors, officers, managers, employees, agents, representatives, other service providers, products, services, businesses, portfolio companies or reputation. The Company agrees to reimburse you for reasonable pre-approved expenses incurred by you in connection with providing the assistance described in this Section.

j. The payments and benefits under this Memorandum are intended to comply with or be exempt from Code Section 409A and shall be interpreted accordingly to the maximum extent permitted. The Company does not guarantee you any particular tax treatment with respect to this Memorandum or any payments hereunder. In no event whatsoever shall the Company be liable for any additional tax, interest or penalties that may be imposed on you by Code Section 409A or any damages for failing to comply with Code Section 409A.

k. Other than in the case of a payment upon death, if you are deemed by the Company in good faith to be a "specified employee," as defined in Code Section 409A(a)(2)(B)(i), in accordance with procedures set by the Company, any payments required to be made under Section 2 of this Memorandum, to the extent such payments constitute nonqualified deferred compensation, shall be delayed and not be paid during the six month period following the date of your termination of employment but such delayed or deferred amounts, as the case may be, shall be paid in a lump sum on the first business day immediately following the expiration of such six month period, or if earlier the date of your death, and any remaining payments shall be paid on the date such payments would have otherwise been paid without regard to this Section 3.k.

l. You shall only be entitled to receive the amounts set forth under Section 2 of this Memorandum upon your "separation from service" within the meaning of the regulations issued under Code Section 409A.

m. Your rights to receive any installment payments pursuant to this Memorandum shall be treated as a right to receive a series of separate and distinct payments.

n. Nothing in this Memorandum shall prohibit you from: (i) reporting possible violations of federal law or regulations, including any possible securities laws violations, to any governmental agency or entity, including but not limited to the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the U.S. Congress, or any agency Inspector General; (ii) making any other disclosures that are protected under the whistleblower provisions of federal law or regulations; or (iii) otherwise fully participating in any federal whistleblower programs, including but not limited to any such programs managed by the U.S. Securities and Exchange Commission and/or the Occupational Safety and Health Administration. Moreover, nothing in this Memorandum shall prohibit or prevent you from receiving individual monetary awards or other individual relief by virtue of participating in such federal whistleblower programs.

o. Under the federal Defend Trade Secrets Act of 2016, you shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; (ii) is made to your attorney in relation to a lawsuit for retaliation against you for reporting a suspected violation of law; or (iii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

[Signature Page Follows]

Ares Capital Management LLC

By:____________________
Name:
Title: Authorized Signatory

I agree to the provisions of this Memorandum

____
By:

EXHIBIT A

Except as otherwise stated in the Memorandum to which this Exhibit A is attached, the following terms have the meanings assigned below:

1. " **<u>Affiliate</u>** " means, with respect to any person or entity, any other person or entity that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such person or entity; provided that, other than Ivy Hill Asset Management, L.P., portfolio companies of any Related Entity will not be deemed to be Affiliates of the Company or any Related Entities.

2. " **<u>Allocation Percentage</u>** " means a percentage equal to ([ ] bps out of [2,000] bps) [ ]% subject at any time and from time to time to dilution for allocations to additional recipients or increased allocations to existing recipients, as reflected in your annual memorandum setting forth your profits participation interests (i.e., your Allocation Percentage of the Part I and/or Part II Incentive Fee), or as otherwise determined by the Company. For example, if the Company grants interests of 10% to new or other employees, your allocation percentage will be correspondingly decreased by 10% to ([ ] bps out of [2,000] bps) [ ]%.

3. " **<u>Ares</u>** " means Ares Management L.P., a Delaware limited partnership, and its related subsidiary managers.

4. " **<u>Ares Owners</u>** " means Ares Owners Holdings L.P., a Delaware limited partnership.

5. [" **<u>Cause</u>** " means an occurrence of any of the following events:

   a. conviction of a felony or plea of guilty or *nolo contendre* thereto;

   b. intentional violation of law in connection with any transaction involving the purchase, sale, loan or other disposition of, or the rendering of investment advice with respect to, any security, futures or forward contract, insurance contract, debt instrument or currency;

c. bad faith, material dishonesty, gross negligence, willful misconduct, fraud or willful or reckless disregard of duties in connection with the performance of any service for or on behalf of the Company or any Related Entity;

d. intentional failure to comply with any lawful directive of the investment committee of the Company or any Related Entity (including, without limitation, the Investment Committee of ARCC);

e. intentional breach of any material provision of this Memorandum or any agreement entered into by, or any constituent agreement of, the Company or any Related Entity;

f. intentional violation of any material written policies adopted by the Company or any Related Entity governing the conduct of persons performing services for or on behalf of the Company or such Related Entity that could have a material adverse effect on the Company or such Related Entity;

g. the intentional taking of any improper action or the intentional omission to take any proper action that has caused or substantially contributed to a material deterioration of the business or reputation of the Company or any Related Entity, or that was otherwise materially disruptive of their business affairs; provided, however, that this clause (h) does not include a mistake in judgment made in good faith on the advice of legal counsel, activities taken or omitted in accordance with the direction of the investment committee of the Company or any Related Entity, or the making of an approved portfolio investment whether or not successful;

h. the obtaining of any material improper personal benefit as a result of a breach of any covenant or agreement; or

i. your engaging in a competitive business activity in violation of your Fair Competition Agreement.]

6. “ **Disability** ” means if you become physically or mentally disabled, whether totally or partially, so that you are prevented from performing your usual duties for a period of 90 days, including weekends and holidays, in any 365-day period (it being acknowledged and agreed that in the event of your absence for a significant period of time because of Disability or otherwise, the restoration of your employment after such period of time would likely result in substantial and grievous economic injury to the operations of the Company and its Related Entities).

7. “ **Fair Competition Agreement** ” means the Fair Competition Agreement between you and Ares Owners dated on or about [DATE].

8. [“ **Good Reason** ” means (i) the dilution, without your consent, of your Allocation Percentage to less than [60]% of your Allocation Percentage as of [DATE] (the “ **Minimum Percentage** ”) unless such Allocation Percentage is raised to or above the Minimum Percentage by the Company within 30 days following written notification by you to the Company that you intend to terminate your employment for Good Reason or (ii) your involuntary removal from the Investment Committee of the Company. To terminate your employment for Good Reason you must give written notice of the termination of your employment within 30 days following your knowledge of any such dilution or involuntary removal and, if you do not give such notice, you will be deemed to have consented to such dilution or involuntary removal.]

9. “ **Incentive Payment Date** ” means, with respect to any calendar quarter or, in the case of Capital Gains Fees, calendar year ending after the date of this Memorandum, 74 days after the end of such quarter or year (or if such day is not a business day, the business day immediately preceding such 74th day).

10. “ **Investment Fund** ” means any (a) U.S. domiciled or offshore investment fund, pooled investment vehicle, feeder fund, collective investment scheme, investment portfolio or alternative investment vehicle (whether formed as a limited partnership, limited liability company, corporation or other entity), (b) managed account or (c) any similar contractual arrangement, in each case, for which the Company or any of its Affiliates is compensated for acting, directly or indirectly, as general partner, manager, managing member, investment manager, trading manager, investment advisor or in a similar capacity.

11. “ **Management Agreement** ” means the Restated Investment Advisory and Management Agreement, dated as of June 6, 2011 (as amended, modified, restated, renewed or replaced), between ARCC and the Company; provided , that if the rights and obligations of the Company thereunder are subsequently performed by one of its Affiliates references to the “Management Agreement” herein will refer to any successor management agreement between ARCC and such Affiliate.

12. “ **Related Entity** ” means any (a) Affiliate of the Company or (b) Investment Fund.

13. “ **Termination** ” means the date of termination of your employment.

14. “ **Termination Allocation Percentage** ” means your Allocation Percentage as of the date of your Termination, subject to adjustment from time to time in accordance herewith.

RESTRICTED UNIT AGREEMENT
PURSUANT TO THE
ARES MANAGEMENT, L.P. 2014 EQUITY INCENTIVE PLAN

THIS AGREEMENT (the " **Agreement** ") is entered into as of (the " **Grant Date** "), by and between Ares Management, L.P., a Delaware limited partnership (the " **Partnership** "), and (the " **Participant** "). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Ares Management, L.P. 2014 Equity Incentive Plan (the " **Plan** ").

W I T N E S S E T H :

WHEREAS , the Partnership has adopted the Plan, a copy of which has been delivered to the Participant, which is administered by the Committee; and

WHEREAS , pursuant to Article VII of the Plan, the Committee may grant Other Unit-Based Awards to Service Providers under the Plan, including restricted units that represent the right to receive Common Units; and

WHEREAS , the Participant is a Service Provider under the Plan.

NOW, THEREFORE , the parties agree as follows:

1. **Grant of Restricted Units .**

Subject to the restrictions and other conditions set forth herein, the Committee hereby grants to the Participant the right to receive Common Units (the " **Restricted Units** ") as of the Grant Date. Each Restricted Unit is an Other Unit-Based Award under the Plan that represents an unfunded, unsecured right of the Participant to receive a Common Unit on the [Delivery] [Vesting] Dates specified in Section 2 herein.

2. **Vesting and Payment .**

(a) Except as expressly provided in Section 2(b) herein, the Restricted Units shall vest and be paid in four equal installments on each of the first four anniversaries of the Grant Date (the "[**Delivery] [Vesting] Dates** "); provided that the Participant has not had a Termination prior to such [Delivery] [Vesting] Date.

(b) Except as expressly provided in this Section 2(b) , all unvested Restricted Units will be forfeited without compensation on the Participant's Termination for any reason. If the Participant incurs a Termination (i) by the Partnership without Cause, (ii) on account of Participant's death or Disability, (iii) by the Participant as a retirement after the Participant has attained age 65 (a " **Retirement** ") or (iv) by the Participant as an early retirement at a time when (x) the Participant has at least five years of service to the Partnership and/or its Affiliates and (y) the Participant's age plus such years of service equals at least 65 (an " **Early Retirement** "), then the Restricted Units shall vest on such Termination [, which shall be a Vesting Date.] [and shall be paid in equal installments on the remaining Delivery Dates. Notwithstanding the foregoing, if at any time the Participant breaches any agreement with the Partnership or its Affiliates, in each case, as determined by the Committee in its sole discretion, all vested and unvested Restricted Units will be forfeited by the Participant without compensation.]

(c) The Partnership shall, on an applicable [Delivery] [Vesting] Date, deliver (or cause to be delivered) to the Participant one Common Unit with respect to each vested and outstanding Restricted Unit payable on such [Delivery] [Vesting] Date, as settlement of such Restricted Unit and each such Restricted Unit shall thereafter be cancelled.

3. **Distribution Equivalents .**

The Participant will have the right to receive an amount in cash equal to (i) the amount of any distribution paid with respect to a Common Unit multiplied by (ii) the number of Restricted Units held by the Participant, at the time such distributions are paid to holders of Common Units.

4. **Restricted Unit Transfer Restrictions .**

Unless otherwise determined by the Committee, Restricted Units may not be Transferred by the Participant other than by will or by the laws of descent and distribution, and any other purported Transfer shall be void and unenforceable against the Partnership and its Affiliates.

5. **Change in Control** .

The Restricted Units shall not vest upon a Change in Control unless otherwise determined by the Committee.

6. **Rights as a Unitholder .**

The Participant shall have no rights as a unitholder with respect to Common Units covered by Restricted Units.

7. **Provisions of Plan Control .**

This Agreement is subject to all the terms, conditions and provisions of the Plan, including the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. If and to the extent that this Agreement conflicts or is inconsistent with the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly.

8. **Notices .**

All notices, demands or requests made pursuant to, under or by virtue of this Agreement must be in writing and sent to the party to which the notice, demand or request is being made:

(a) unless otherwise specified by the Partnership in a notice delivered by the Partnership in accordance with this section, any notice required to be delivered to the Partnership shall be properly delivered if delivered to:

Ares Management, L.P.
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067
Attention: General Counsel

(b) If to the Participant, to the address on file with the Partnership.

Any notice, demand or request, if made in accordance with this section shall be deemed to have been duly given: (i) when delivered in person; (ii) three days after being sent by United States mail, or foreign equivalent; or (iii) on the first business day following the date of deposit if delivered by a nationally or internationally recognized overnight delivery service.

9. **No Right to Employment or Services .**

This Agreement is not an agreement of employment or services. None of this Agreement, the Plan or the grant of Restricted Units shall (a) obligate the Partnership to employ or otherwise retain, or to continue to employ or otherwise retain, the Participant for any specific time period or (b) modify or limit in any respect the Partnership's or its Affiliates' right to terminate or modify the Participant's employment, services or compensation.

10. **Transfer of Personal Data .**

The Participant authorizes, agrees and unambiguously consents to the transmission by the Partnership of any personal data information related to the Restricted Units awarded under this Agreement, for legitimate business purposes (including, without limitation, the administration of the Plan) out of the Participant's home country and including to countries with less data protection than the data protection provided by the Participant's home country. This authorization/consent is freely given by the Participant.

11. **Withholding .**

The Participant hereby authorizes the Partnership, or an Affiliate thereof to which the Participant provides services, to satisfy applicable income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items (" **Tax-Related Items** "), with respect to any issuance, transfer, or other taxable event under this Agreement or the Plan by withholding from the proceeds of the sale of Common Units acquired upon settlement of the Restricted Units either through a voluntary sale authorized by the Partnership or through a mandatory sale arranged by the Partnership or any of its Affiliates on the Participant's behalf pursuant to this authorization, to cover the amount of such Tax Related Items. The Participant further authorizes the Partnership or the applicable Affiliate to take such action as may be necessary in the opinion of the Partnership or the applicable Affiliate to withhold from any compensation or other amount owing to the Participant to satisfy all obligations for the payment of such Tax-Related Items. Without limiting the foregoing, the Committee may, from time to time, permit the Participant to make arrangements prior to any [Delivery] [Vesting] Date described herein to pay the applicable Tax-Related Items in a manner prescribed by the Committee prior to the applicable [Delivery] [Vesting] Date, including by cash, check, bank draft or money order. The Participant acknowledges that, regardless of any action taken by the Partnership or any of its Affiliates the ultimate liability for all Tax-Related Items, is and remains the Participant's responsibility and may exceed the amount actually withheld by the Partnership or any of its Affiliates. The Partnership may refuse to issue or deliver the Common Units or the proceeds from the sale of Common Units, if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

12. **Dispute Resolution .**

(a) The exclusive remedy for determining any and all disputes, claims or causes of action, in law or equity, arising out of or related to this Agreement, or the breach, termination, enforcement, interpretation or validity thereof will, to the fullest extent permitted by law, be determined by: (i) the dispute resolution provisions in any employment, consulting agreement, or similar agreement, between the Partnership or any of its Affiliates and the Participant or, if none, (ii) the Partnership's or any of its Affiliates' mandatory dispute resolution procedures as may be in effect from time to time with respect to matters arising out of or relating to Participant's employment or service with the Partnership or, if none, (iii) by final, binding and confidential arbitration in **[Los Angeles, California][New York, New York]** , before one arbitrator, conducted by the Judicial Arbitration and Mediation Services/Endispute, Inc. (" **JAMS** "), or its successor. If disputes are settled pursuant to prong (iii) of this Section 12 , Section 12(b) shall apply.

(b) Disputes shall be resolved in accordance with the Federal Arbitration Act, 9 U.S.C. §§1–16, and JAMS' Employment Arbitration Rules and Procedures then in effect. The arbitrator will have the same, but no greater, remedial authority than would a court of law and shall issue a written decision including the arbitrator's essential findings and conclusions and a statement of the award. Judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. This agreement to resolve any disputes by binding arbitration extends to claims by or against the Partnership or any of its Affiliates or any of their respective past or present representatives and applies to claims arising out of federal, state and local laws, including claims of alleged discrimination on any basis, as well as to claims arising under the common law. The prevailing party in any such arbitration proceeding, as determined by the arbitrator, or in any proceeding to enforce the arbitration award, will be entitled, to the extent permitted by law, to reimbursement from the other party for all of the prevailing party's costs (including the arbitrator's compensation), expenses and attorneys' fees. If no party entirely prevails in such arbitration or proceeding, the arbitrator or court shall apportion an award of such fees based on the relative success of each party. In the event of a conflict between this provision and any provision in the applicable rules of JAMS, the provisions of this Agreement will prevail.

13. **Section 409A**.

The Restricted Units are intended to comply with or be exempt from the applicable requirements of Section 409A and shall be limited, construed and interpreted in accordance with such intent; provided, that the Partnership does not guarantee to the Participant any particular tax treatment of the Restricted Units. In no event whatsoever shall the Partnership be liable for any additional tax, interest or penalties that may be imposed on the Participant by Section 409A or any damages for failing to comply with Section 409A.

14. **Miscellaneous**.

(a) Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(b) Governing Law. All matters arising out of or relating to this Agreement and the transactions contemplated hereby, including its validity, interpretation, construction, performance and enforcement, shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws.

(c) Counterparts; Electronic Acceptance. This Agreement may be executed in one or more counterparts (including by facsimile or electronic transmission), all of which taken together shall constitute one contract. Alternatively, this Agreement may be granted to and accepted by the Participant electronically.

(d) Interpretation. Unless a clear contrary intention appears: (i) the defined terms herein shall apply equally to both the singular and plural forms of such terms; (ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by the Plan or the Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually; (iii) any pronoun shall include the corresponding masculine, feminine and neuter forms; (iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof; (v) reference to any law, rule or regulation means such law, rule or regulation as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any law, rule or regulation means that provision of such law, rule or regulation from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision; (vi) "hereunder," "hereof," "hereto," and words of similar import shall be deemed references to the Agreement as a whole and not to any particular article, section or other provision hereof; (vii) numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of the Agreement; (viii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; (ix) "or" is used in the inclusive sense of "and/or"; (x) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto; and (xi) reference to dollars or $ shall be deemed to refer to U.S. dollars.

(e) No Strict Construction. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

(f) Waiver. The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

15. **Language**.

If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

16. **NO ACQUIRED RIGHTS .**

THE PARTICIPANT ACKNOWLEDGES AND AGREES THAT: (A) THE PARTNERSHIP MAY TERMINATE OR AMEND THE PLAN AT ANY TIME; (B) THE AWARD OF RESTRICTED UNITS MADE UNDER THIS AGREEMENT IS COMPLETELY INDEPENDENT OF ANY OTHER AWARD OR GRANT AND IS MADE AT THE SOLE DISCRETION OF THE PARTNERSHIP; (C) NO PAST GRANTS OR AWARDS (INCLUDING THE RESTRICTED UNITS AWARDED HEREUNDER) GIVE THE PARTICIPANT ANY RIGHT TO ANY GRANTS OR AWARDS IN THE FUTURE WHATSOEVER; (D) THE PLAN AND THE AGREEMENT DO NOT FORM PART OF THE TERMS OF THE PARTICIPANT'S EMPLOYMENT; AND (E) BY PARTICIPATING IN THE PLAN AND RECEIVING AN AWARD PURSUANT TO THIS AGREEMENT, THE PARTICIPANT WAIVES ALL RIGHTS TO COMPENSATION FOR ANY LOSS IN RELATION TO THE PLAN OR THIS AGREEMENT, INCLUDING ANY LOSS OF RIGHTS IN ANY CIRCUMSTANCES INCLUDING TERMINATION OF EMPLOYMENT.

[Remainder of This Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

ARES MANAGEMENT, L.P.
By: Ares Management GP LLC, its general partner

By: ___
Name:
Title:

Participant Name:

Entity	**Jurisdiction**
Ares Holdings Inc.	DE
Ares Offshore Holdings, Ltd.	Cayman Islands
Ares Holdco LLC	DE
AOF Holdco LLC	DE
AI Holdco LLC	DE
Ares Holdings L.P.	DE
Ares Offshore Holdings L.P.	Cayman Islands
Ares Investments L.P.	DE
Ares Investment Holdings LLC	DE
Ares Investments Intermediate Holdings, Ltd.	Cayman Islands
Ares Insurance Partners, Ltd.	Cayman Islands
Ares Management Holdings L.P.	DE
Ares Finance Co. LLC	Delaware
Ares Management Worldwide Holdings LLC	DE
Ares AMWH Holdings, Inc.	DE
Ares Master Employee Co-Invest 2015 GP LLC	DE
Ares Management, Inc.	DE
Apollo Real Estate Management GP V, LLC	DE
Ares US Real Estate Opportunity Management GP VI, LLC	Delaware
Ares US Real Estate Opportunity Management VI, L.P.	Delaware
AREA Sponsor Holdings LLC	DE
Ares Management LLC	DE
Ares Operations LLC	DE
Ares Capital Management II LLC	DE
Ares Capital Management LLC	DE
Ares Management Limited	England and Wales
Ares Management UK Limited	England and Wales
AM Services AUS Pty Ltd	Australia
Ares Administrative Services (DIFC) Limited	United Arab Emirates
Ares EIF Management, LLC	DE
Ares Real Estate Acquisition SPV LLC	DE
Ares Real Estate Investment Holdings	Cayman Islands
Ares Real Estate Management Holdings, LLC	DE
Ares CLO Management LLC	DE
Ares CLO Management Holdings Ltd.	Cayman Islands
Ares Capital Management III LLC	DE
Ares Private Account Management I, L.P.	DE
Ares Private Account Management I GP, LLC	DE
Ares Life Holdings LLC	DE

Ares Investor Services LLC	DE
ACOF Operating Manager II, L.P.	DE
ACOF Holdings II LLC	DE
ACOF Management II GP LLC	DE
ACOF Management II, L.P.	DE
ACOF Operating Manager III LLC	DE
ACOF Management III GP LLC	DE
ACOF Management III, L.P.	DE
ACOF III Plasco GP Ltd.	Cayman Islands
ACOF Operating Manager IV, LLC	DE
ACOF Management IV GP LLC	DE
ACOF Management IV, L.P.	DE
ACOF IV ATD Co-Invest Management, LLC	Delaware
Ares Asia Management Ltd.	Cayman Islands
Ares Asia Management (HK), Limited	Hong Kong
Ares Investment Advisors (Shanghai) Co. Ltd.	China
EIF US Power II, LLC	DE
EIF Calypso GP, LLC	DE
EIF Channelview GP, LLC	Delaware
EIF US Power III, LLC	DE
EIF US Power IV, LLC	DE
EIF Oregon GP, LLC	Delaware
AEIF Linden GP, LLC	Delaware
Ares EIF Management V LLC	DE
Ares EIF Management V L.P.	DE
ASSF Management IV, L.P.	DE
ASSF Management IV GP LLC	DE
ASSF Operating Manager IV, L.P.	DE
ACE II GP, LLC	DE
Ares Capital Euro GP II, L.P.	Cayman Islands
ACE III GP LLC	DE
ACE III Managing Member Limited	Scotland
ACE III GP (Scotland) LLP	Scotland
ACE III Second Member Limited	Scotland
ACE III GP (Cayman) LP	Cayman Islands
Ares CSF Operating Manager III LLC	DE
Ares CSF Management III, L.P,	Cayman Islands
Ares CSF III Investment Management LLC	DE
ACF GP, LLC	DE
Ares Commercial Finance GP LP	DE

ACF Management Investment, LLC	DE
Ares Commercial Finance Management LP	DE
Ares Centre Street GP, Inc.	DE
Ares Centre Street Management, L.P.	DE
Ares CCF GP LLC	DE
Ares CCF GP Limited	Cayman Islands
Ares CCF GP, L.P.	Cayman Islands
Ares ECSF II GP LLC	DE
Ares ECSF II (B) GP, L.P.	Cayman Islands
Ares Enhanced Loan Investment Strategy Advisor IV GP, LLC	DE
Ares Enhanced Loan Investment Strategy Advisor IV, L.P.	DE
Ares CSF Management I GP LLC	DE
Ares CSF Management I, L.P.	Cayman Islands
Ares CSF Operating Manager I, LLC	DE
Ares Enhanced Credit Opportunities Investment Management II, LLC	DE
Ares ICOF II Management, LLC	DE
Ares ICOF Management II GP LLC	DE
Ares ICOF II GP, LLC	DE
Ares ICOF II Capital Investors GP LLC	DE
Ares Enhanced Loan Management IR, L.P.	DE
Ares Enhanced Loan IR GP, LLC	DE
Ares CLO GP IIIR/IVR, LLC	DE
Ares CLO Management IIIR/IVR, L.P.	DE
Ares CLO GP XI, LLC	DE
Ares CLO Management XI, L.P.	DE
Ares CLO GP XXIV, LLC	DE
Ares CLO Management XXIV, L.P.	DE
Ares CLO GP XXV, LLC	DE
Ares CLO Management XXV, L.P.	DE
Ares CLO GP XXVI, LLC	DE
Ares CLO Management XXVI, L.P.	DE
Ares Management Consolidated Holdings, LLC	DE
Ares CLO Management XXXI, L.P.	DE
Ares CLO Management XXXIII, L.P.	DE
Ares CLO Management Intermediate Holdings Ltd.	Cayman Islands
Ares CLO Management Direct Holdings LLC	DE
Ares Commercial Real Estate Management LLC	DE
Ares CA Real Estate Corporation	DE
Ares Commercial Real Estate Servicer LLC	DE
Ares European Real Estate Management GP III, LLC	DE

Ares European Real Estate Management III, L.P.	DE
Ares European Real Estate Advisors GP IV, LLC	DE
Ares European Real Estate Advisors GP IV, L.P.	DE
Ares US Real Estate VIII Management, LLC	DE
Ares US Real Estate VIII Capital Advisors, LLC	DE
Ares US Real Estate VIII Advisors, L.P.	DE
Ares US Real Estate VIII Management Holdings, LLC	DE
AC US Fund VIII Blocker Manager LLC	DE
GAM US Fund VIII Blocker Manager LLC	DE
AGF US Fund VIII Blocker Manager LLC	DE
HRL US Fund VIII Blocker GP LLC	DE
AREA European Property Enhancement Management, LLC	DE
Ares AREG EPEP Incentive Holdings LLC	DE
AREG-T Advisors GP III LLC	DE
AREG-T Advisors III L.P.	DE
Ares Sponsor Inc.	DE
AEPEP II N GP, L.P.	DE
AEPEP GP II, LLC	DE
AEPEP (Cayman) GP II, L.P.	Cayman Islands
AEPEP (Scotland) Manager II Limited	Scotland
AEPEP (Scotland) II Limited	Scotland
AEPEP (Scotland) GP II, L.L.P.	Scotland
Ares US Real Estate VII Management, LLC	DE
Ares US Real Estate VII Advisors, L.P.	DE
APResco LLC	DE
Apollo Real Estate Management V L.P.	DE
Ares US Real Estate Dev and Redev Capital Advisors II, LLC	DE
Ares US Real Estate Development and Redevelopment Advisors II, L.P.	DE
Ares CIP US Real Estate Opportunity Advisors, L.P.	DE

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-3ASR No. 333-211239), the Registration Statement (Form S-3 No. 333-211068), the Registration Statement (Form S-8 No. 333-202901), pertaining to the Ares Management, L.P. 2014 Equity Incentive Plan and the Registration Statement (Form S-8 No. 333-195627) pertaining to the Ares Management, L.P. 2014 Equity Incentive Plan of our reports dated February 27, 2017, with respect to the consolidated financial statements of Ares Management, L.P. and the effectiveness of internal control over financial reporting of Ares Management, L.P. included in this Annual Report (Form 10-K) for the year ended December 31, 2016.

/s/ Ernst & Young LLP

Los Angeles, California
February 27, 2017

Exhibit 31.1

Certification of Chief Executive Officer
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d- 14(a)

I, Antony P. Ressler, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ares Management, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2017

/s/ Antony P. Ressler

Name:	Antony P. Ressler
Title:	*Chairman, Co-Founder & Chief Executive Officer (Principal Executive Officer)*

Exhibit 31.2

Certification of Chief Financial Officer
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, Michael R. McFerran, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ares Management, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2017

/s/ Michael R. McFerran

Name:	Michael R. McFerran
Title:	*Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)*

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to
18 U.S.C. Section 1350

In connection with the Annual Report on Form 10-K of Ares Management, L.P. (the "Company") for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Antony P. Ressler, as Chief Executive Officer of the Company, and Michael R. McFerran, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2017

/s/ Antony P. Ressler

Name:	Antony P. Ressler
Title:	*Chairman, Co-Founder & Chief Executive Officer* *(Principal Executive Officer)*

/s/ Michael R. McFerran

Name:	Michael R. McFerran
Title:	*Executive Vice President and Chief Financial Officer* *(Principal Financial and Accounting Officer)*

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ares Management, L.P and will be retained by Ares Management, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.